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1961







*Hon C. P. McTaggart*

# ROYAL COMMISSION

ON

# TRANSPORTATION

## HEARINGS

HELD AT

OTTAWA

VOLUME No.:

111

DATE:

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TORONTO, ONTARIO

ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held  
in the Court Room, Board of  
Transport Commissioners  
Offices, Ottawa, Ontario, on  
the 31st day of October, 1960.

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Mr. A. H. Balch	Member
Mr. R. J. Gobeil	Member
Mr. H. A. Mann	Mann
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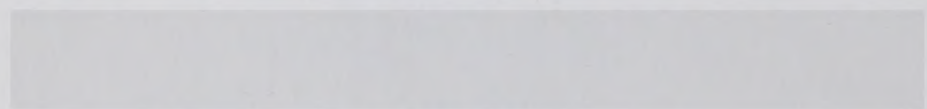




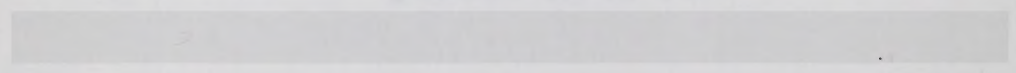
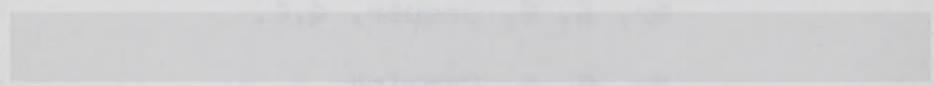
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Proceedings of hearings held  
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TORONTO, ONTARIO

Hart, dir.  
(McDonald)

18399

Ottawa, Ontario,  
Monday,  
October 31, 1960.

--- On commencing at 10:00 a.m.

--- Commissioners Anscomb and Gobeil not present ---

THE CHAIRMAN: Order, please. Mr. McDonald?

MR. McDONALD: This morning, Mr. Chairman, we will present the submission of Canadian National Railways which was dated September, 1960, and filed with the Commission on September 16, 1960. Mr. Chairman, we have two witnesses, Mr. A.H. Hart, Vice-President of Sales, who will deal generally with chapter 2 of this submission and chapter 3, plus some other matters which are all indicated on a memorandum which I have given to you for your guidance. Mr. S.F. Dingle will be called after Mr. Hart to deal with operating matters. So, generally speaking, Mr. Hart will deal with traffic matters; Mr. Dingle, with operating matters.

I would like to call Mr. A.H. Hart.

ALEXANDER HENDRY HART, called

DIRECT EXAMINATION BY MR. McDONALD:

Q. Mr. Hart, I will just run through your history and you can advise me if it is correct.

Your name is Alexander Hendry Hart; your present position is Vice-President, sales, in charge of all rail freight and passenger sales and promotional activities and of freight and passenger rate making for









the Canadian National Railways.

You were born in Regina, Saskatchewan; educated, Calgary, Alberta, Dartmouth and Halifax, N.S. Schools: Dalhousie University and Dalhousie Law School.

War service: In the Royal Canadian Artillery, Canada, Newfoundland, United Kingdom and Northwest Europe. Graduate of War Staff College. Rank at retirement - Major.

Post war, you were a student with the firm MacInnes, McQuarrie & Cooper, which we have heard something about before, in Halifax, N.S. And following that, you were with the Department of the Attorney General, Nova Scotia.

You joined the Canadian National Railways in 1949 and held the following positions:

Assistant Solicitor

Solicitor

Regional Counsel

Associate Commission Counsel

Special Assistant to Vice-President, Traffic.

Assistant to Vice-President, Traffic.

Assistant Vice-President, Traffic.

Appointed Vice-President, Traffic, effective February 1st, 1960 and title changed to Vice-President, Sales, on September 1st, 1960.

You have appeared for the Canadian National Railways in many general rate cases and Commissions including:

1951 Turgeon Royal Commission on Transportation

1955 Turgeon Royal Commission on Agreed Charges

1950-55 All general freight rate increase cases.

1950-55 Various hearings on Equalization of









1  
2 Class Rates.

3 You have also appeared on many specific rate  
4 cases before the Board of Transport Commissioners and  
5 on occasions before the Interstate Commerce Commission.

6 Mr. Hart, does that correctly outline your  
7 activities to date?

8 A. It does.

9  
10 THE ROYAL COMMISSION ON RAILWAY TRANSPORTATION

11 Mr. Chairman and Commissioners:

12 The following submission is made on behalf of  
13 Canadian National Railways:

14 CHAPTER 1

15 INTRODUCTION

16  
17 Canadian National welcomes the opportunity to  
18 appear before your Commission and give its views upon a  
19 number of problems which seriously affect its railway  
20 transportation system. The causes behind these problems  
21 will be outlined and recommended solutions will be given  
22 which will reflect the recent experience of this Company  
23 in endeavouring to deal with them.

24 Since the Turgeon Royal Commission on  
25 Transportation made its report in 1951 one of the factors  
26 affecting rail transportation in Canada has been the  
27 great increase in the size of the trucking industry and  
28 the pervasiveness of that form of competition. This  
29 development, which has occurred during a period when  
30 Canadian National's expenses have been steadily rising,









1  
2 has produced a marked effect upon the ability of the  
3 Company to increase its net revenue.

4 When railways had a monopoly in the  
5 transportation of large segments of traffic it was  
6 possible to meet increased expenses by raising the  
7 price of rail services. This method of relief has grown  
8 more and more inadequate as the areas and intensity of  
9 competition have broadened. In addition the  
10 effectiveness of such competition has forced the  
11 railways to make vast expenditures for modernization  
12 and upgrading of plant and equipment in order to remain  
13 competitive with the trucks in the national transportation  
14 market.

15 In the field of transportation of passengers  
16 the same pattern has been emerging. The private  
17 automobile, the bus and airplane have made vast inroads  
18 into railway passenger business despite energetic  
19 efforts, particularly since the Second World War, to win  
20 patronage by offering new equipment and faster schedules  
21 together with a greater variety of accommodation. More  
22 recently various travel plans have been offered to the  
23 public, designed to entice the passenger and his family  
24 from their car or other mode of transport back to the  
25 railway. While some improvement in patronage has been  
26 noted in certain areas, no great swing back to the  
27 railway has been apparent. In 1959 Canadian National  
28 handled 12.7 million passengers as compared with 20  
29 million carried in 1948.

30 These changes and effects have, of course, come









1  
2 about over the period of the past few years. During  
3 that time active and energetic steps have been taken by  
4 Canadian National to meet the problems presented to it.  
5 The activity of Canadian National in company with  
6 Canadian Pacific and other railways to increase their  
7 revenues by raising the price of their product is well  
8 known and has been much publicized. The strenuous and  
9 unremitting efforts put forth in an effort to economize  
10 in respect of operating expenses and thereby make the  
11 railway more efficient are not as well known. The fact  
12 that in the past three years Canadian National has had  
13 a substantial deficit bears witness to the ineffectiveness  
14 of these efforts to bring revenues and expenses together.  
15 Also, these results have occurred during years when gross  
16 operating revenues have exceeded \$700 million for the  
17 first time in the Company's history.

18 Canadian National considers these results to  
19 be disappointing, particularly when viewed against the  
20 general buoyancy of the economy of the country. The  
21 clear fact emerges that despite its efforts Canadian  
22 National's share of the total Canadian transportation  
23 market is declining. These facts point to the need for  
24 further changes in pricing policy in order to attract  
25 a greater volume of freight traffic to the rails and  
26 at the same time the urgency of stringent economy in  
27 operation, not only in the methods and means of  
28 handling traffic but in respect of the elimination of  
29 burdens of unproductive services.

30 While it is of little comfort, nevertheless







1  
2 it is true that all the other major railways in North  
3 America and elsewhere are facing the same general  
4 problems. It is Canadian National's view that the first  
5 essential requirement to enable the railways to secure  
6 their proper share of the transportation market is a  
7 realistic legislative and regulatory climate in which  
8 to work. The second, and perhaps equally important  
9 objective, is that the public should be fully informed  
10 of the facts so as to be cognizant of the railways's  
11 problems and of the need for a realistic approach to them  
12 on a broad area or national basis rather than upon  
13 narrow and purely local grounds.

14 Canadian National proposes to place before you  
15 its views concerning the pricing of its freight services  
16 with some recommendations for changes in legislation and  
17 regulation which it feels will enable it to meet more  
18 effectively the competition it now faces.

19 It is also proposed to place before you the  
20 problems arising out of passenger train operations. Here  
21 we will offer some suggested changes in legislation and  
22 improvements in procedure for dealing with such matters  
23 before the Board of Transport Commissioners which we  
24 consider to be necessary from the point of view, not  
25 only of the railway, but of the public and the Board  
26 itself if realistic progress is to be made in reducing  
27 the large deficit resulting to Canadian National from  
28 such operations.

29 The matter of the reorganization of Canadian  
30 National's physical plant which has been built across







1  
2 Canada over the years since 1836 is a large task but of  
3 vital importance to the ability of the Company to achieve  
4 fully efficient and economic operation of services of  
5 the type which our shippers desire and are willing to  
6 pay for. This reorganization contemplates elimination  
7 or consolidation of stations and other facilities, the  
8 substitution of rail or highway services or both where  
9 the job can be done more economically by such methods,  
10 as well as the abandonment or rearrangement of certain  
11 trackage.

12 In addition Canadian National will place  
13 before you its recommendations concerning changes in  
14 railway legislation which it believes your Commission  
15 should consider. These changes will have reference to  
16 traffic and rate provisions of the Railway Act as well  
17 as some sections governing railway operations.

18 Canadian National will give the Commission its  
19 views on the question of whether non-rail assets and  
20 earnings of railway companies should be taken into  
21 account when establishing freight rates.

22 Finally, Canadian National's policy followed  
23 in effecting integration of its highway transport  
24 services with its rail system will be set out.

25 CHAPTER II

26 F R E I G H T R A T E S

27 A. Railway Rate Making

28 The railway rate structure is presently in a  
29  
30







1  
2 state of transition from its original rigidity to a  
3 more flexible state, due to a combination of carrier  
4 competition, commodity market conditions and governmental  
5 action. Sound rate making must be aimed at fulfilling  
6 present and potential transportation requirements at a  
7 rate level, which will allow the movements of the goods  
8 with the least possible burden upon the producer and  
9 consumer and yet compensate the carrier for the expense  
10 incurred, plus a margin of profit. In seeking this  
11 objective there are at least three alternative methods  
12 of rate making: value of service, cost of service and  
13 competitive pricing. Since these methods have various  
14 interpretations, a brief description of each would be  
15 useful.

16 1. Value of Service.

17 Professor W.T. Jackman, in his "Economic  
18 Principles of Transportation" describes the value of  
19 service principle as that according to which "rates are  
20 made on the basis of 'what the traffic will bear', that  
21 is, the value of the service to the shipper as indicated  
22 by his ability or willingness to pay these rates on the  
23 products he has for shipment. There are many who have  
24 incorrectly interpreted this phrase to mean charging all  
25 that can be extorted from the shipper for the carriage  
26 of the traffic. 'Charging what the traffic will bear' is  
27 charging such a rate as will enable the commodity to move  
28 freely with the least burden upon the producer and  
29 consumer, a rate which will not tend to discourage the  
30 flow of traffic, but, on the contrary, will maintain the







existing volume of traffic and encourage its increase."

## 2. Cost of Service.

The cost of service principle is intended to satisfy the financial requirements of the carrier. This principle sets rate levels on the basis of the costs plus a margin of profit.

In the days of relative monopoly, the railways made rates according to the value of service principle and the rate level was set to encourage the growth of traffic.

As long as competitive transportation modes did not exist or remained ineffective, the exclusive use of value of service principle was effective and its application produced gross revenues of sufficient size to satisfy the financial requirements of the rail carriers.

The rate structure resulting from the application of the value of service principle was in existence long enough to permit the location of production and distribution centres throughout the land. It would have been unrealistic to attempt, under monopoly conditions, to switch from the principle of value of service to that of cost of service, using as a criterion the total cost of each particular movement. Such a radical change would have disrupted a great many local activities and competitive industrial relationships, with little if any gain in total revenues. The result could also have been far from satisfactory because many commodities could not carry total costs and still move







1  
2 to their markets. They would cease to move. Furthermore,  
3 the traffic which remained would in many cases pay a  
4 higher rate under a cost of service plan because the  
5 cost of the railway plant would have to be met by a  
6 somewhat smaller volume of traffic.

7 3. Competitive Pricing.

8 In today's highly competitive transportation  
9 field either the value of service or the cost of service  
10 principle, standing alone, becomes ineffective from the  
11 point of view of both the shipping public and the rail  
12 carrier. Consequently, a third rate-making principle,  
13 called for the purpose of this submission "Competitive  
14 Pricing", has been introduced. Although it is treated  
15 separately, it is in reality the merging of elements of  
16 both the value of service and cost of service principles.  
17 Competitive pricing is designed to produce rates which  
18 take into account competing carriers' rates and  
19 differences in service standards as well as the  
20 transportation needs and total demands of various  
21 shippers. In addition such rates must meet the  
22 railways' variable costs of operation plus the  
23 contribution to overhead that the competitive features  
24 described above will allow. On a long term basis the  
25 railway industry must, of course, transact business  
26 at rates which satisfy its revenue requirements over  
27 and above variable cost or else it will not be able to  
28 continue to provide adequate rail facilities and  
29 equipment nor be able to expand with the transportation  
30 requirements of our growing nation.







1  
2 Competitive pricing appears to be the best  
3 method available to the railway if it is to attract and  
4 hold a larger portion of the transportation market which  
5 is susceptible to carrier competition. Much traffic  
6 lost due to a continuing though declining emphasis on  
7 value of service should be regained if service were priced  
8 at competitive levels. Such gains would ensure a more  
9 efficient use of railway facilities and greater utilization  
10 of the industry's large capacity. It would also result in  
11 the lowest possible cost to the shipper, while at the same  
12 time giving the railways maximum revenues.

13 When selecting a medium of transportation, a  
14 shipper considers the total cost of his choice: charges  
15 assessed by the carrier plus the expenses of cartage and  
16 trans-shipping, if any, packaging, special loading and  
17 unloading facilities, likelihood of freight damage and  
18 loss, effect on inventory, etc. Consequently, when a  
19 carrier elects to change its rates that action is bound  
20 to affect the shipper's total cost. Therefore, competitive  
21 pricing by rail carriers should aim to set rates in the  
22 light of the shipper's total cost.

23 The Dominion Bureau of Statistics has estimated  
24 that between 1948 and 1958 the railways' share of the  
25 national inter-city transportation market dropped from  
26 71 percent to approximately 52 percent, with the water  
27 carriers' share remaining practically constant. During  
28 the same period the highway carriers' share rose from  
29 4.9 percent to 11.1 percent and that of the pipeline  
30 carriers increased from less than 1 percent to 13.4







1  
2 percent. While the development of western oil and gas  
3 fields accounts to a large extent for the increase in  
4 pipeline traffic, these estimates point out the increase  
5 of the highway carriers' share of the market, partially  
6 at least, at the expense of railroad handlings.

7         During this period the railway industry  
8 has taken many steps to meet this increasing competition.  
9 A measure of this effort may be found in the comparison of  
10 the Board's waybill analysis reports. In 1949 competitive  
11 rates and agreed charges accounted for 12½ percent of  
12 total freight revenues in Canada, while in 1958 they  
13 accounted for approximately 37 percent.

14         However, the rapid growth and the improved  
15 efficiency of the highway transport industry have more  
16 than offset the action taken by the railways in their  
17 attempt to retain their relative share of the national  
18 transportation market.

19         The construction of every new highway, the  
20 improvement of any old one, the improvement of  
21 waterways, the dispersal of the industrial production  
22 with resulting shorter hauls for all carriers, the  
23 continuing trend to shorter inventory periods at all  
24 levels of production and trade, and other incidental  
25 changes such as the demand for specialized equipment  
26 compatible with new freight handling and packaging  
27 methods, all indicate that the railway industry will  
28 be undergoing yet more vigorous competition in its  
29 solicitation of traffic.  
30







1  
2 B. A Pricing Policy for the Future.

3 In Canada's economy today all signs indicate  
4 that the demand for increased revenue from rail services  
5 will continue to expand rather than decrease. Some  
6 method must be found whereby the railways can obtain  
7 increased net revenues by attracting to the rails a  
8 much larger share of the expanding transportation market.  
9 Canadian National believes it can accomplish this  
10 objective by a further and fuller development of its  
11 competitive pricing techniques.

12 Future rate action will call for much more  
13 to be known about traffic conditions, relative carrier  
14 cost and service advantages, and shipper's ability to  
15 weigh rate differentials against service differences.  
16 The general heading of knowledge of traffic conditions  
17 covers a wide area of study dealing with the traffic  
18 itself, i.e., the tonnage potential, the transportation  
19 economics of individual commodities, and the  
20 transportation practices and service requirements of the  
21 shipping public.

22 Market research and allied studies are useful  
23 in determining the range of rate adjustment needed to  
24 maximize the contribution to railway overhead whenever  
25 a specific rate problem is to be dealt with. This  
26 phase of pricing activity is related to the elasticity  
27 of demand, which, in other words, is the sensitivity of  
28 traffic to rate changes.

29 Another aspect of competitive pricing is  
30 the frequent use made of cost information pertaining







1  
2 to rail and competing media of transportation.  
3 Competitive pricing involves many situations when the  
4 rail carrier must know his variable costs to determine  
5 whether the rate, which would be effective in retaining  
6 the vulnerable traffic, can produce a contribution;  
7 or the variable cost of the competitive carrier to  
8 determine the minimum level of rate adjustment required  
9 to protect or secure the traffic involved. In marginal  
10 cases the information of both costs is required. Much  
11 costing work of this type has been carried out.  
12 Increased competition undoubtedly calls for a greater  
13 effort. Canadian National is taking steps to meet  
14 this need.

15 As all-rail service is not similar to highway  
16 door-to-door service, inferior in some cases, and better  
17 in others, the strict comparison of relative rates is  
18 not sufficient. Weighing of the differences in service  
19 standards has to be brought in to establish an adequate  
20 rate differential, under or over the competitor's rate.  
21 The trend to more exacting service requirements on the  
22 part of the shipping public calls for intensive study  
23 of this complex problem. It should be pointed out that  
24 when the rail carriers as a result of improved statistical  
25 information are in a position to react more quickly to  
26 competitive forces, the solution to this differential  
27 problem will be relatively simpler.

28 While it is not an integral part of  
29 competitive pricing, the future success of such a  
30 policy will be dependent upon the shipper's ability







1  
2 to weigh the rate differentials against the service  
3 standard differences. Effective solicitation requires  
4 investigation by the railways of the shipper's reactions  
5 to these facts.

6 To compete effectively with other modes of  
7 transportation, railway management must have the  
8 discretionary power to apply its best judgment to the  
9 situation at hand, to determine the price of its  
10 service, and the conditions under which service is  
11 offered. It is equally important that the utmost  
12 flexibility be retained to allow the railway to adapt  
13 to individual circumstances.

14 The shipper who has a ready alternative  
15 cannot be expected to wait patiently upon any  
16 regulatory formalities that must be satisfied before  
17 the railway can change its rate or service pattern; nor  
18 is he likely to be interested in the fact that under  
19 existing legislation an elaborate justification may be  
20 required for a competitive rate quoted by the railway.  
21 Many of the requirements of regulation that are harmless  
22 enough in the non-competitive field become in varying  
23 degree a nuisance and a burden in the battle for  
24 competitive traffic. In some instances obligations  
25 intended to protect shippers have the effect of  
26 protecting the railways' competitors. Canadian  
27 National suggests, therefore, that in the public interest  
28 there are only three items of regulation which retain  
29 their justification in the competitive field:

30 (a) the rates in effect should be made known







1  
2 to the shipping public;

3 (b) the rates should not go below variable  
4 cost; and

5 (c) the rates should not be lower than  
6 necessary to meet competition.

7 With these safeguards it should be left to the railways  
8 to reflect in the various combinations of price and  
9 service offered to the public, the inherent advantages  
10 of rail transport. It is submitted that in so doing  
11 the railways should regain traffic and thereby maximize  
12 in the competitive field the contribution of this traffic  
13 to the constant cost of running the railroad. It follows,  
14 therefore, that such a policy would act to the advantage  
15 of shippers who now have no practical alternative to  
16 rail transport.

17 This suggestion would leave the railways free  
18 from onerous regulation in dealing with the problem  
19 of meeting carrier competition. Its implementation  
20 would not require any change or alteration in the well  
21 known yardsticks used to measure the justness and  
22 reasonableness of railway freight rates, such as the  
23 Board's standard for permissive level of earnings and  
24 the equalized class rate scale. Neither would it  
25 affect in any way the safeguards in the Railway Act  
26 which protect the public from unlawful discriminatory  
27 rate practices.

28 In the area of non-competitive traffic, the  
29 railways mustnot retard new development nor put rates  
30 at a level which will prevent the movement of traffic.





1  
2 This is not an easy task and is accompanied by pressure  
3 from all sides seeking concessions. Here, the trained  
4 judgment of competent railway officers will still have  
5 to be relied upon to ensure just and reasonable rates  
6 with the Board, of course, exercising its jurisdiction  
7 to deal with cases of complaint as required.

8 In the competitive field a minimum degree  
9 of regulation is proposed, so as to place the railways  
10 more nearly on an equal footing with their competitors.  
11 Meanwhile railway regulation in the comprehensive and  
12 traditional form retains its original justification in  
13 respect of non-competitive traffic.

14 Much has been said before your Commission  
15 about the effect of the horizontal percentage method  
16 of increasing railway freight rates to meet the carriers  
17 revenue needs. Canadian National believes that when its  
18 competitive pricing program is fully implemented the  
19 need for general increases in railway rates will be  
20 greatly diminished. Nevertheless some general increases  
21 in all rail rates may be required in the future to deal  
22 with such matters as particular freight rate problems  
23 arising during the transition period before the  
24 competitive pricing program is fully effective, or to  
25 meet general inflationary conditions in the years to  
26 come.

27  
28 RECOMMENDATION

29 Canadian National recommends that sections  
30 328 and 334 of the Railway Act be amended to allow the







1  
2 railways to set competitive rates based upon ordinary  
3 commercial principles of pricing, subject to the  
4 requirement that the rates must be made known to the  
5 shipping public, remunerative, and not lower than  
6 necessary to meet competition.

7  
8 CHAPTER III  
9 PASSENGER TRAIN SERVICES

10 When the railways of Canada were originally  
11 built, they had a virtual monopoly of land transportation.  
12 Because of the power of their monopoly, the railways  
13 were soon subjected to government regulation. The aim  
14 of the regulation was basically to protect the shipper  
15 against excessively high rates and to avoid  
16 discrimination between different shippers. The railways  
17 were required to carry all traffic offered which included  
18 some uneconomic services that had to be supported by the  
19 earnings from more profitable services. During this  
20 period of monopoly there grew up the attitude on the  
21 part of the public, the government and the railway  
22 that there was a duty to provide service wherever and  
23 whenever there was a public demand for it. Because of  
24 this attitude the provision of passenger services has  
25 been regarded as an implicit obligation of railway  
26 operations. This attitude still persists and Canadian  
27 National management and staff have always attached  
28 great importance to the provision of good passenger  
29 service to meet the demands of the public. Canadian  
30 National believes, however, the time has come for all







1  
2 concerned to recognize that the railways no longer have  
3 a responsibility to provide any passenger service other  
4 than may be justified by sound business administration.

5 In recent years, due principally to  
6 competition from the private motor car and airlines,  
7 there has been a steady reduction in the volume of  
8 passenger business. This has resulted in this service  
9 becoming unprofitable. With the steady growth in truck  
10 and pipeline competition, Canadian National has found  
11 it increasingly difficult to increase its freight  
12 revenue by raising rates. Consequently, in recent years  
13 it has not been possible for Canadian National to make  
14 up the passenger deficit out of earnings from other  
15 sources, and an over-all deficit has resulted, partly  
16 due to the passenger deficit and partly due to deficits  
17 in other operations.

18 1. Passenger Train Operations

19 A measure of the effect which the inability  
20 of passenger train service to meet its expenses has  
21 upon the over-all results of Canadian National is shown  
22 by the deficit incurred on its Canadian lines in the  
23 operation of passenger trains in 1958.  
24  
25  
26  
27  
28  
29  
30





CANADIAN NATIONAL RAILWAYS - CANADIAN LINES

PASSENGER TRAIN REVENUES AND EXPENSES -1958

(EXCLUSIVE OF COMMUTER TRAIN OPERATIONS)

REVENUES

Passenger Fares	\$36,280,000	
Sleeping, Parlor, Dining	7,562,000	
Express and Mail	50,310,000	
Other	<u>1,060,000</u>	
Total Revenues		\$95,212,000

EXPENSES

Road Maintenance	\$ 7,767,000	
Equipment	26,711,000	
Traffic	5,678,000	
Transportation (Inc Express)	78,524,000	
General	6,709,000	
Communications-Rail	1,230,000	
Miscellaneous, Rentals, Taxes.	4,793,000	
Passenger Portion of O.C.S. Expenses	<u>4,658,000</u>	
Operating Expenses		\$136,070,000

OPERATING DEFICIT \$ 40,858,000

No allowance has been made in the above  
revenues for the value of free transportation.







1  
2           The revenues shown for 1958 are taken directly  
3 from railway accounts. The expenses shown under the  
4 various headings have been calculated by using the  
5 same techniques as were used in the railway's  
6 submission showing the cost of moving Crow's Nest grain.

7           In the case of the Crow's Nest grain, the  
8 traffic is basic to the plant and of a continuing  
9 character which the railway must be prepared to handle  
10 indefinitely. Therefore, the portion of depreciation  
11 and cost of money associated with the investment in  
12 facilities and equipment devoted to the grain movement  
13 was included. On the other hand, the passenger train  
14 service is a by-product service and of an incremental  
15 nature. Consequently, no portion of the general railway  
16 constant costs has been assigned to the passenger service.

17           As outlined in another portion of this  
18 submission, Canadian National is moving towards an  
19 amalgamation of Express and L.C.L. shipments as part of  
20 Merchandise Services. Therefore, the investment in  
21 passenger train equipment to carry express may not have  
22 to be renewed. Similarly, if the recommendations made  
23 by Canadian National herein in respect of passenger  
24 train services are carried out, there should be a  
25 great reduction in conventional passenger service with  
26 a corresponding decrease in the amount of equipment and  
27 facilities which will have to be replaced in the future.  
28 Since the railway at present is not able even to  
29 estimate the extent of the reductions in the passenger  
30 train service in the near future, and consequently







1  
2 cannot estimate the investment which must be serviced  
3 and renewed, no investment or depreciation costs have  
4 been included in this estimate of the passenger train  
5 deficit.

6 During 1959 and 1960, management has continued  
7 its efforts to minimize this deficit position. Revenue  
8 and expense figures for 1959 are being prepared and will  
9 be available at the time of presentation of this  
10 submission.

11 2. Efforts to Minimize Passenger Losses

12 The attitude of Canadian National management  
13 has not been one of passive acceptance of passenger  
14 deficits. Its policy has been to seek the abandonment  
15 of all services on which patronage has fallen off to the  
16 point where they were demonstrably unnecessary; that is  
17 to say, cases where the general public in particular  
18 areas preferred to use other modes of transportation  
19 and such alternatives were readily available. There  
20 is clear evidence that even this moderate effort has,  
21 in most instances, been unacceptable to the public by  
22 reason of the long-standing assumption that the railways  
23 have a duty to provide passenger services regardless of  
24 costs in relation to earnings. A study of cases before  
25 the Board of Transport Commissioners shows that there  
26 is almost always strong opposition to the abandonment  
27 of services, even where patronage has almost disappeared.  
28 This has been so, despite the fact that only the most  
29 obvious cases have been progressed to the Board. In  
30





1  
2 cases where there was clearly some public demand for  
3 passenger service but not enough to make the service  
4 profitable, Canadian National has sought to operate a  
5 minimum service. In those areas where there as been  
6 evidence of a good passenger demand or the possibility  
7 of creating a good demand, Canadian National has pursued  
8 an aggressive policy aimed at building up passenger  
9 business.

10 The downward trend in passenger handlings has  
11 not occurred overnight. A comparison of passengers  
12 carried by all railways in Canada and the Canadian  
13 population for the period 1871 - 1958 is shown on  
14 Statement N.P.1. It is apparent from this table that  
15 population increases produced additional rail passengers  
16 until about 1921 when the automobile began to appear in  
17 substantial numbers. Since that date, with the exception  
18 of the World War II years, rail passenger handlings  
19 have decreased in spite of the rise in our population.  
20 Statement N.P. 2 shows Canadian Nationl's system  
21 passenger handlings by years from 1940 to 1958. This  
22 indicates that such traffic has fallen off about 33  
23 percent in the past ten years.

24 Canadian National action of adjusting many  
25 of its passenger services in order to minimize losses  
26 or improve individual services and thereby attempt to  
27 reverse the trend has been concurrent with this falling  
28 off in patronage. Statement N.P. 3 shows the net result  
29 of the reductions and increases made in passenger train  
30 services over the years 1954 to 1959 inclusive. This







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1  
2 statement is compiled by provinces and excludes commuter  
3 and second section trains, that is trains which are  
4 operated to handle overflow from regular trains. The  
5 statement given below shows that with the exception of  
6 the inauguration of the Super-Continental service in  
7 April 1955 and the addition of a five day week mail  
8 train between Montreal and Toronto, the overall record  
9 consists mainly of service reductions producing a net  
10 decrease of 2,300,000 train miles a year. This  
11 reduction represents 10 percent of the passenger train  
12 miles operated during 1953. The following table  
13 summarizes the adjustments made in these six years:  
14  
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16  
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30







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Passenger Train Miles

Decrease in annual passenger train  
miles due to cancellation of regular  
passenger trains without Budd car  
substitution or reduction of  
frequency of service or rerouting of  
existing regular passenger trains  
(Statement NP-3) 3,300,000

Decrease in annual commuter train miles 400,000

Decrease in annual passenger train miles  
for extra sections of regular passenger  
trains or extra trains. 700,000

TOTAL DECREASE  
(1954 to 1959 inclusive) 4,400,000

Increase in annual passenger train miles  
due to operation of new regular  
passenger train or increase in frequency  
of service or rerouting of existing  
regular passenger trains (Statement NP-3) 1,900,000

Increase in annual passenger train miles  
due to inclusion in C.N.R. Canadian Lines  
statistics since 1953 of the train miles  
of passenger trains operated for C.N.R.  
subsidiary companies or the Hudson Bay  
Railway 200,000

TOTAL INCREASE 2,100,000

NET DECREASE 2,300,000  
(1954 to 1959 inclusive)





1  
2           It is estimated that these service reductions  
3 have reduced the demand for diesel locomotives by 35  
4 units. At the same time, it is considered they have  
5 eliminated the need for some 130 replacement passenger  
6 car units as well.

7           At the same time as these regular train  
8 service adjustments were being made a number of regular  
9 passenger trains were replaced by self-propelled rail  
10 diesel cars (Budd Railiners). Particulars of these  
11 substitutions are shown on Statement N.P. 4. In some  
12 cases the purpose of these substitutions was to realize  
13 substantial operating economies, but in others it was  
14 directly related to providing an improved service to  
15 the public. In some cases in addition to the  
16 substitution of the Budd Railiners, truck and bus  
17 services over the highway were inaugurated as well.

18           It is estimated that these passenger service  
19 adjustments have permitted a reduction in operating  
20 costs of the order of \$13 million per year, as follows:  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30







1  
2 (a) Estimated annual reduction in costs  
3 resulting from the net decrease in  
4 passenger train miles (other than for  
5 commuter trains) including interest and  
6 depreciation on the cost of new diesel units  
7 which would have been otherwise required  
8 (\$900,000 per year) \$ 4,400,000

9  
10 (b) Estimated annual reduction in costs  
11 resulting from the net decrease in  
12 passenger car miles (other than for  
13 commuter trains) including interest and  
14 depreciation on the cost of new passenger  
15 cars which would have been otherwise  
16 required (\$1,900,000 per year) 5,900,000

17 (c) Estimated net annual reduction in  
18 costs resulting from commuter service  
19 curtailments 1,300,000

20  
21 (d) Estimated net annual reduction in  
22 costs made possible by Budd car  
23 substitutions 1,300,000

24 \$ 12,900,000

25 say \$ 13,000,000







3. Passenger Sales Promotion

At the same time that adjustments in service have been made in order to effect operating economies, Canadian National has been making strenuous efforts in an endeavour to increase the patronage of its passenger services. Whether or not the trend away from rail travel can be reversed is not yet apparent. However, the Company is trying every idea which appears to have any chance of success in its efforts to increase net passenger earnings. A short description of each of these sales ideas should be of interest.

(a) Maple Leaf Tours

The Canadian National has set up a special organization for the promotion of individual or group package tours at pre-determined all-inclusive prices.

(b) Mid-week Bargain Coach Excursions

Reduced incentive fares have been established to attract passengers during the mid-week, a period during which travel is normally light.

(c) Reserved Coach Seats

Coaches accommodate twice as many passengers as can be handled in parlor cars. The reserved coach seat plan was inaugurated in certain sections of Canada in an effort to divert patronage to coaches from the parlor cars in order to reduce the consist of trains.

(d) Enclosed Space for Tourist Passengers

On the "Super-Continental" open section





1  
2 tourist cars have been replaced with the more popular  
3 duplex roomette sleepers which the Company had  
4 available. Each of these sleeping cars accommodate  
5 24 passengers. This enabled patrons to have enclosed  
6 accommodation at regular coach class fares, plus  
7 tourist roomette charges. Introduction of the roomette  
8 cars coincided with the coming into service of tourist  
9 lounge facilities.

10  
11 (e) C.N.R. "Go Now - Pay Later" Plan

12 The plan may be used for the purchase on an  
13 installment basis of any transportation or hotel  
14 facilities furnished by the Company, as well as the  
15 supply of a reasonable amount of cash to cover the  
16 incidentals related to the journey. This arrangement  
17 is made through certain chartered banks.

18 (f) All-Inclusive Plan

19 The plan makes available to the public the  
20 type of travel package offered by the air lines, at  
21 rates which are competitive with other forms of  
22 transportation. Furthermore, to attract highway  
23 travellers reductions are allowed for groups of people  
24 or families travelling together.

25 (g) Group Coach Economy Fares

26 These attractive low fares which offer  
27 substantial reductions for groups travelling together  
28 were designed to encourage people to travel by rail  
29 rather than on the congested highways.  
30







(h) Credit Cards

Credit facilities are available to customers who desire this type of arrangement, and this enables them to charge the cost of practically every form of Canadian National or Trans-Canada Air Lines services, in addition to certain auxiliary services.

4. Canadian National's Passenger Policy

Canadian National's objective is to operate passenger services in those areas where they can now, or in the reasonably foreseeable future, meet their costs of operation in a manner which will engender the good will of the travelling public and encourage passenger travel. To this end it is the Company's policy:

(a) To sell passenger travel with initiative, imagination and resourcefulness, using modern research, marketing and selling techniques.

(b) To set passenger travel prices at a level to secure maximum returns from the services operated.

(c) To run passenger trains and provide all auxiliary services efficiently, courteously, expeditiously and reliably; to develop and train staff and to encourage among them the esprit de corps necessary to achieve this.

(d) To improve old or develop new types of equipment, methods, practices and facilities with the object of producing more efficient and attractive transportation.







1  
2 As the various passenger operations of the  
3 Company are studied, it will be found that certain  
4 train services are not returning their variable cost  
5 of operation and that there is no reasonable prospect  
6 of their doing so in the foreseeable future. It is  
7 the Company's policy in respect of such services that  
8 they should be removed or changed so as to relieve the  
9 railway from the obligation of performing service at  
10 a loss.

11 It may be that some of these deficit operations  
12 could have been reduced in recent years by drastic  
13 curtailment of unprofitable services. However, the  
14 experience met in presenting the most obvious and  
15 simple cases to the Board did not give confidence that  
16 any wholesale attack on the problem would meet with  
17 success in view of the known public opposition to  
18 such action. It is, therefore, vital before  
19 aggressive action is taken before the Board of Transport  
20 Commissioners to remove or change those services which  
21 cannot meet at least their variable cost of operation,  
22 that a proper "climate" be created within which to  
23 carry on such a program.

24 In order to create such a favourable climate  
25 Canadian National believes that an amendment is  
26 required to the Railway Act, which would give  
27 legislative support to this program of removing  
28 uneconomic services. It would enable the Board to  
29 deal with cases on the basis of the economics involved  
30 as well as the availability of alternate services for





1  
2 the public concerned, free from emotional and other  
3 pressures which presently are injected into the  
4 consideration of such problems.

5 Canadian National believes that where  
6 alternate services are available to the public there  
7 should be no question of its right to give up an  
8 unproductive passenger train service. When no  
9 alternate service is available to the public Canadian  
10 National recognizes that it may be justifiable in the  
11 public interest to require the railway to continue some  
12 passenger service, even if it is not returning its  
13 variable cost of operation, but only on the basis that  
14 any loss in the performance of such service shall be  
15 paid as a specific reimbursement from the public  
16 treasury. We believe the number of such services will  
17 not be large and that they can, in the main, be of a local  
18 nature. They should, however, be kept under constant  
19 review so that the public treasury would be relieved  
20 of the burden as soon as alternate service is provided.

21 Given the legislative support suggested which  
22 will promote and encourage the elimination of all train  
23 services which are unprofitable, it is the view of  
24 Canadian National that its passenger train deficit can  
25 be eliminated entirely.

26  
27 RECOMMENDATION

28 Canadian National recommends that the Railway  
29 Act be amended by adding Section 315(A):

30 "315A. (1) Notwithstanding anything in this







1  
2 or any other Act the company may, subject  
3 to this section, discontinue the operation  
4 of any passenger train service whenever the  
5 revenues from such service fail to meet the  
6 cost of operation.

7 (2) Ninety days' notice of any decision  
8 of the company to discontinue any passenger  
9 train service shall be given to the Board.

10 (3) The Board may, with the approval  
11 of the Governor in Council, by order,  
12 restrict or forbid the exercise of any  
13 right under this section whenever, in its  
14 opinion, the maintenance of the service is  
15 required in the public interest.

16 (4) The amount of any loss to the  
17 company arising out of any order made  
18 pursuant to subsection (3) shall, upon  
19 verification and certification by the Board,  
20 be paid to the company annually out of the  
21 Consolidated Revenue Fund.

22 CHAPTER IV

23 REORGANIZATION OF RAILWAY PLANT AND FACILITIES

24  
25 Canadian National has been actively engaged  
26 in reorganizing and modernizing its railway plant and  
27 equipment for some years. Substantial changes have  
28 already been made, and yet much remains to be done  
29 before the company can bring its efficiency of operation  
30 to the point where it will be fully competitive with







1  
2 other forms of transportation. Some changes require  
3 only time, effort and money to accomplish; others  
4 need not only a greater public awareness of the problem  
5 but alterations in the procedure and legislation  
6 governing such matters.

7         The need for large scale reorganization of  
8 railway plant and facilities has stemmed mainly from  
9 two circumstances. The first of these was the  
10 inability of the railway to keep its property fully  
11 maintained and up-to-date during the period of  
12 depressed economic conditions from 1930 to 1939 and  
13 throughout the Second World War. The second is the  
14 great rise in competition from other media of  
15 transport experienced principally since the end of that  
16 war.

17         The general conditions of the depression held  
18 maintenance at as low a level as safe operations would  
19 permit. During the war when the roadbed and facilities  
20 were subject to peak traffic loads the plant was not  
21 maintained to as high a standard as would have been  
22 desirable because of manpower and material shortages.  
23 In addition to this deferred maintenance problem the  
24 railway in recent years has had to cope with more  
25 exacting demands from its shippers who have become  
26 increasingly accustomed to alternative transportation  
27 choices in terms of service and equipment.  
28 Consequently in the past ten years the investment  
29 program of Canadian National has been directed toward  
30 restoring and modernizing the physical plant in order





1  
2 to meet this increased demand on the part of industry  
3 with better equipment and service designed to cope  
4 with the increased competition of other carriers.

5 Since 1950 Canadian National has invested  
6 close to \$1.5 billion in its plant. This investment  
7 has produced the following major areas of betterment:

8 Dieselization of all lines in Canada;

9 Extension of passing tracks throughout the  
10 system required by dieselization;

11 Upgrading main line track structure in  
12 Western Canada;

13 Construction of modern freight yards at  
14 major centres throughout Canada;

15 Installation of centralized traffic control  
16 (C.T.C.);

17 Improved communications;

18 Upgrading of the freight car fleet and the  
19 inauguration of new piggyback and merchandise  
20 services.

21 Before describing the items individually, it  
22 should be pointed out that reorganization and  
23 modernization, including increasing use of modern  
24 equipment and methods, results in better utilization  
25 of our labor force. While improved work organization  
26 and advancing technology may have immediate adverse  
27 effects on a relatively small proportion of the labor  
28 force, the overall effects are beneficial to the  
29 employees as well as the railway.

30 The Company's ability to compete in today's







1  
2 transportation market would have been sharply curtailed  
3 unless it had undertaken this program. Also, without  
4 such changes the railway would not have been able to  
5 provide employment for a labor force as large as that  
6 currently employed, nor to maintain pay and working  
7 conditions at standards comparable with those of other  
8 workers in the community.

9 Improved technology has changed the  
10 character of much railway employment from heavy manual  
11 labor to a machine operating type of work. The general  
12 upgrading of tasks associated with the increasing use  
13 of modern technical equipment reduces the physical effort  
14 required of employees, creates jobs of a more  
15 interesting and challenging nature and results in  
16 increased efficiency to the benefit of both the  
17 Company and its employees.

18 However, technological change, and the more  
19 efficient organization of work have brought some  
20 problems. During the past few years these changes along  
21 with a disappointing volume of traffic have resulted  
22 in a decline in the overall demand for labor, and  
23 consequently, reductions in staff. Over the range of  
24 railway jobs the effect of the various factors have  
25 been uneven. Some job classifications have become  
26 virtually extinct; in others the number employed has  
27 been sharply reduced while the demand for some skills  
28 has increased.

29 The problem of employees in this situation  
30 is one to which the Company has given a great deal of







1  
2 attention. In so far as is practicable, every effort  
3 is made to minimize disruptions to the labor force.  
4 It is the policy of the Company to provide surplus  
5 employees with the opportunity of retraining for other  
6 work and of transferring to employment elsewhere within  
7 the Company, so far as its freedom of action permits.  
8 New skills associated with the introduction of new  
9 methods or new types of equipment are acquired in  
10 these retraining programs, examples of which are:

11 Training steam locomotive enginemen and  
12 shop mechanics in the handling and  
13 maintenance of diesel locomotives;

14 Training of clerical employees in the  
15 operation of mechanical and electronic  
16 equipment;

17 Training of employees in the operation  
18 and maintenance of new types of communication  
19 equipment.

20 Thousands of our employees have benefitted through such  
21 retraining programs.

22 As part of its personnel organization, the  
23 Company maintains employment offices in strategic  
24 centres across the system. Laid off employees are  
25 asked, in fact are urged, to register at the employment  
26 office where every effort is made to relocate them  
27 within the Company. We are proud of the success obtained  
28 in relocating employees and the increasing numbers  
29 registering and accepting recall or transfer perhaps  
30 indicates the desirability of employment with





1  
2 Canadian National.

3 Despite such efforts to retrain and relocate  
4 surplus employees within the Company, declining traffic  
5 demand has dictated that some employees must be put  
6 out of work. The ability of the company to absorb  
7 these employees is also limited by factors such as:

8 Point and craft seniority provided in various  
9 labor agreements;

10 Immobility of labor;

11 Inability to acquire new skills.

12 When it does become necessary to sever the  
13 employment of any substantial number of employees in  
14 a community, the Company gives as much advance notice  
15 of this fact as possible and holds discussions with the  
16 affected employees, their unions, and the community  
17 administration, and as well gives personal counselling  
18 to such employees. By these measures the impact of  
19 layoffs on individuals and the community is minimized  
20 and the transition to other fields or areas of  
21 employment is facilitated.

22 Some description of these technological and  
23 other changes and their effect will be of interest and  
24 assistance to the Commission.

25  
26 A. Matters Within Control  
27 of Railway Management

28 1. Dieselization Program

29 No single factor has had more influence in  
30 reducing expenses and improving transportation efficiency







1  
2 than the current program of dieselizing the railway.

3 Diesels improve operating efficiency by:

4 Reducing the cost of fuel;

5 Increasing the productivity of train and  
6 engine crews;

7 Requiring fewer stops for servicing and  
8 reducing wage expense through the handling of  
9 longer and heavier trains at more sustained  
10 speeds;

11 Reducing repair costs;

12 Using removable standardized sub-assemblies  
13 which makes possible a high degree of  
14 serviceability;

15 Reducing in size and number the repair and  
16 servicing facilities required; and

17 Reducing wear and tear on equipment because  
18 of smoother handling characteristics.

19 Complete dieselization of the Canadian  
20 National System was accomplished in April, 1960, at  
21 which time there were 1852 diesel units and 107 heating  
22 units in service on Canadian lines. With the provision  
23 of ancillary equipment for servicing and maintaining  
24 the diesel fleet this program as it affects Canadian  
25 lines has cost the Company \$386,300,000.

26 Some idea of the effect of dieselization can  
27 be obtained from a calculation made which shows that  
28 had the 1959 Canadian lines traffic been handled on  
29 the basis of an all-steam operation at 1959 prices  
30 the extra cost to Canadian National would have been







\$100,800,000. Savings of this magnitude related to the capital expenditure involved represents a return of over 27% before interest and depreciation.

## 2. Increasing Size of Trains

With dieselization, main line trains have grown in size, with a beneficial effect on train costs per ton-mile. The following table shows how train tonnage has grown as the railway became more dieselized:

Year	% Diesel G.T.M. (1)	Gross Tons per Freight Train
1950	3	1647
1951	10	1699
1952	20	1760
1953	35	1806
1954	45	1834
1955	48	1908
1956	51	1987
1957	71	2009
1958	87	2156
1959	92	2142

(1) G.T.M. - Gross ton miles

## 3. Increase in Productivity

With the diesel has come greater productivity and faster service.

Productivity is best measured by the gross ton miles carried per freight train hour, which is a measure of tonnage and speed of the trains over the road.





1		
2	Year	G.T.M. per
3		<u>Freight Train Hour</u>
4	1950	26,400
5	1951	26,900
6	1952	28,800
7	1953	31,500
8	1954	32,300
9	1955	33,100
10	1956	34,400
11	1957	36,600
12	1958	41,700
13	1959	42,500

14 This table shows how productivity per train went up  
15 as the percentage of diesels increased.

16           Between 1950 and 1959 the average freight  
17 train speed rose from 16 to 20 m.p.h. This average  
18 speed is calculated on the basis of elapsed time  
19 between terminals and is not indicative of the actual  
20 speed of the train. Elapsed time includes all stops  
21 for loading and unloading and the time taken to move  
22 the trains out of and into terminal yards. Actual  
23 speeds of freight trains vary and are governed by  
24 permissible speed on each subdivision. Many main  
25 line trains must maintain over the road speeds of 40  
26 to 60 m.p.h. to make their schedules, while way freights  
27 often operate at very low speeds, stopping at all  
28 stations to load and unload packages and to pick up  
29 and set out cars. Both types of train are included in  
30 the calculation.







4. Centralized Traffic Control

The precision and flexibility of centralized traffic control (C.T.C.) which eliminates dependance on timetables and train orders can also add up to 80% to the traffic capacity of a single track. Canadian National installed its first C.T.C. during the war years to expedite traffic between Moncton and Halifax. Since the War, installations have been made between St. Hyacinthe and Charny, Que., Foleyet and Hornepayne, Ont., and Atikokan and Port Arthur, Ont. Studies have shown C.T.C. can be economically justified on the main line of 40 single track subdivisions from Sydney to Vancouver. In view of the capital expenditures involved, the program is being advanced in annual stages. By the end of 1959 Canadian National had 1101 miles of track equipped with C.T.C. At that time installation was under way on a number of other subdivisions of which 830 miles is expected to go into service in 1960. This program is continuing.

5. Motive Power Control

To take full advantage of the inherent ability of diesel locomotives to operate much longer distances with minimum servicing, territorial assignments of diesels is much broader than in the case of steam locomotives. To obtain the highest practicable level of utilization of diesels, regional motive power control bureaux have been established with communications facilities that permit immediate exchange of information between regions and within







1  
2 each region. There is constant consultation between  
3 all those concerned with using and servicing diesels,  
4 and to co-ordinate the repair shop loads with  
5 transportation requirements. This development has  
6 enabled the work load to be handled with fewer units  
7 and has reduced the overall cost of locomotive repairs.

#### 8 6. Radio Communications

9 Radio and "talk back" communication systems  
10 have been tested in railway operations, and continuing  
11 studies are being carried out to determine the greatest  
12 potential benefits. Caboose to engine, train to train,  
13 train to wayside and wayside to dispatcher radio  
14 communications are being installed in British Columbia  
15 this year. The system is designed to add to the safety  
16 of operations, reduce delays to trains and maintenance  
17 gangs and give greater utilization of equipment.

#### 18 7. Mechanical Data Handling

19 Significant progress has been made in the  
20 application of integrated data processing techniques  
21 to the huge mass of data required in recording and  
22 controlling railway operations. A mechanical  
23 inventory control system is being employed for physical  
24 and financial control over stores, material issues, and  
25 purchases. A computer program using mathematical  
26 formulae is used to revise tables of reorder points  
27 and quantities for the various stock items.

28  
29 The computer system, centred in Montreal,  
30 prepares payrolls and pay cheques for nearly all





1  
2 employees in Canada and mechanical procedures are  
3 employed to compile personnel statistics and compute  
4 pensions.

5 Yard offices are being mechanized in order  
6 to supply from a common source the necessary data  
7 requirements for Advanced Consist Information, Car  
8 Tracing for customers, Revenue Accounting, Operating  
9 Statistics, Traffic Statistics, Locomotive Power  
10 Control and Operational Research.

11 8. Road Maintenance

12 The railway has invested some \$27,000,000  
13 since World War II in roadway machines and small tools  
14 to secure greater productivity and more effective  
15 maintenance with less interference to traffic.  
16 Approximately 60% of Maintenance of Way and Structures  
17 expense is for labor and but for Management's action  
18 of increasing mechanization this proportion would have  
19 been even greater. Substantial savings and better work  
20 are resulting from performing work by mechanical means.  
21 Since the war, mechanical track tools and equipment have  
22 been introduced which enable almost every item of  
23 maintenance to track, bridges and structures to be  
24 done by mechanical means with a minimum of labor.

25 The track gangs of today use bulldozers;  
26 ballast cleaners; bolt tigheners; spike pullers and  
27 drivers; power adzes, saws and drills; electric tampers;  
28 power jacks; rail laying machines; power mowers and  
29 sprayers. These new tools give the track forces a  
30 great improvement in efficiency and productivity over







1  
2 even a few years ago. Such devices permit further  
3 efficiency in that specialized gangs, equipped with  
4 appropriate tools, can be used to perform routine  
5 tasks. Special maintenance gangs, fully mechanized,  
6 perform cyclical maintenance of the track structure.  
7 This means that a particular section of track having  
8 been brought up to a satisfactory standard, is given  
9 heavy maintenance on a time cycle basis, usually at  
10 about four-year intervals. Between these repair  
11 periods only minor maintenance is performed and thus  
12 more effective use of assigned labor is obtained.  
13 By sustaining a satisfactory level of maintenance,  
14 transportation costs are kept at reasonable levels by  
15 permitting faster and heavier trains to be operated;  
16 the accelerated deterioration that comes with under-  
17 maintenance is checked and the cost of recovering this  
18 under-maintenance, which is in some part punitive,  
19 is avoided.

#### 20 9. Yard Modernization

21 Switching yards in most of the main and  
22 intermediate terminals have been extended and  
23 renovated during recent years to facilitate the  
24 handling of traffic. Over \$10,000,000 has been  
25 expended during the past decade to provide suitable  
26 trackage for sorting in-bound traffic and marshalling  
27 outbound cars, at Edmonton, Sarnia, Joffre, Garneau and  
28 Corner Brook. Alterations and additions have also been  
29 made at Port Mann, Jasper, Hamilton, Edmundston, St.  
30 John, North Sydney and Halifax.







1  
2 Key marshalling points on Canadian National  
3 are Winnipeg, Toronto, Montreal and Moncton. To  
4 handle traffic through and into these cities, many  
5 small yards were originally constructed when speed  
6 was not too important and labor expense not so heavy.  
7 With the growing need for speed and good service, and  
8 increasing labor costs, management has had to improve  
9 these facilities. Hump yards with push-button methods  
10 were approved, and construction started at Winnipeg,  
11 Montreal and Moncton at a total cost of approximately  
12 \$70,000,000. In the Toronto area, detailed studies  
13 concluded that transportation needs would best be  
14 served by constructing a new and modern hump yard  
15 on the outskirts of the city, with access lines from  
16 east and west. This plan is now moving forward and  
17 contemplates an \$87,000,000 project before completion  
18 in about five years' time.

19 Improvements in yard offices and services  
20 have been obtained by the institution of a mechanized  
21 car reporting network. Yard, as well as car tracing  
22 and other service offices, receive up-to-the-minute  
23 information respecting the location of cars and their  
24 sequence in trains. This network is essential for  
25 maximum efficiency in the hump yard operations now  
26 under construction, and in the meantime it is  
27 producing an appreciable improvement in service to  
28 railway patrons.

29 Improvements in terminal yard facilities and  
30 methods, together with increased use of diesels and





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(McDonald)

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C.T.C., has made it possible to speed up the schedules  
of Manifest freight trains, as the following comparison  
between 1950 and 1959 shows:







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1	2	3	Run	Train No.	Elapsed Time		Decrease
					1950	1959	
4			Montreal - Halifax	440	53'00"	42'30"	10'30"
5			Montreal - Saint John	440-411	60'00"	45'30"	14'30"
6			Montreal - Sydney	440-410	78'00"	59'30"	18'30"
7			Halifax - Montreal	441	64'30"	45'00"	19'30"
8			Saint John - Montreal	412-441	67'00"	44'30"	22'30"
9			Sydney - Montreal	409-441	91'00"	55'00"	36'00"
10			Toronto - Halifax	406	71'00"	50'00"	21'00"
11			Toronto - Saint John	406-411	74'00"	48'00"	26'00"
12			Toronto - Sydney	406-410	108'00"	62'00"	46'00"
13			Halifax - Toronto	405	72'30"	62'35"	9'55"
14			Saint John - Toronto	412-405	70'00"	65'05"	4'55"
15			Sydney - Toronto	409-405	94'00"	75'35"	18'25"
16			Montreal - Winnipeg	401	69'25"	47'30"	21'55"
17			Montreal - Edmonton	401	116'25"	76'00"	40'25"
18			Montreal - Vancouver	401	167'30"	115'30"	52'00"
19			Winnipeg - Montreal	414	Not Run	50'00"	25'15"★
20			Edmonton - Montreal	414	Not Run	81'45"	43'15"★
21			Vancouver - Montreal	414	Not Run	121'45"	45'30"★
22			Toronto - Winnipeg	403	61'25"	44'10"	17'15"
23			Toronto - Winnipeg	409	63'15"	43'30"	19'45"
24			Toronto - Edmonton	403	108'25"	73'30"	34'55"
25			Toronto - Edmonton	409-401	115'10"	75'30"	39'40"
26			Toronto - Vancouver	403	159'30"	109'00"	50'30"
27			Toronto - Vancouver	409-401	166'15"	115'00"	51'15"
28			Winnipeg - Toronto	404	66'15"	50'15"	16'00"
29			Edmonton - Toronto	404	116'00"	86'45"	29'15"
30			Vancouver - Toronto	404	164'15"	130'15"	34'00"
			Winnipeg - Toronto	402	Not Run	50'00"	16'15"★ ★







Note: ★ Comparison made with Nos. 404-402, which were the only Eastbound schedules in effect in 1950. No. 414 commenced operation in 1953.

★ ★ Comparison made with No. 404, as No. 402 scheduled Winnipeg to Montreal in 1950.

#### 10. Equipment Maintenance

By consolidating production at a minimum number of locations, it has been possible to work each shop as nearly as possible to full capacity and to get the most efficient use of its facilities and machinery. Savings have been made in carrying charges, shop maintenance, power lighting and heating. In addition, by applying better production methods to the repair of a larger volume of similar units of equipment savings in both labour and supervision have resulted.

Motive Power Control, whose main function is to obtain the highest practicable utilization of power, also enables programming of repairs and maintenance so that diesel units can be directed to repair points at predetermined intervals. This has minimized fluctuations in shop work loads with greater utilization of plant and equipment and increased efficiency.

#### 11. Upgrading of Freight Car Fleet

The replacement of freight cars worn beyond economic use has always called for large outlays of capital and for constant managerial control. This problem has been greatly complicated during the last ten years by the need to select or design replacement units which





1  
2 will more closely meet the needs of the shipping public  
3 and yet ensure more economical and efficient operations.  
4 The following are examples of progress made to date:

5 (a) All-Steel Cars

6 Wooden and steel underframe cars are  
7 being replaced with all-steel cars which  
8 require less maintenance, give greater  
9 utilization and can be operated at higher  
10 speeds. In 1950 some 49% of cars in use on  
11 Canadian lines were of all-steel construction.  
12 In 1957 the figure was 69% and at the end of  
13 1959 amounted to 72%.

14 (b) Automobile Transporter

15 A double-deck car has been developed.  
16 There are two sizes, one will handle eight  
17 Canadian automobiles and the other carries  
18 six. Seventy-five units of each size are in  
19 service. The tie-down assemblies that secure  
20 the standard automobiles can be modified to  
21 increase capacity by two when handling the  
22 small European cars.

23 (c) Automobile Cars - Evans Loader

24 One thousand cars equipped with a  
25 device to hold four automobiles per car  
26 without the use of blocking and bracing were  
27 placed in service in 1957. These cars enabled  
28 the automobile industry to reduce its loading  
29 and unloading costs and thus improve the  
30







1  
2 railways' competitive position. "

3  
4 (d) Heated Car Service

5 "Perishable" traffic is normally carried  
6 in a refrigerator car which is capable of  
7 being heated or cooled as required. A car  
8 has been designed by Canadian National that is  
9 fully insulated and equipped with heaters. It  
10 can be used to handle traffic requiring heat  
11 in the winter and as a box car (without heat)  
12 the balance of the year. This type of car  
13 reduces future requirements for the more  
14 expensive refrigerator car and also gives  
15 greater utilization. In addition, it has a  
16 greater load capacity. It can handle 100,000  
17 pounds of canned goods compared with 60,000  
18 pounds normally loaded in a refrigerator  
19 car. Two hundred of these cars were  
20 purchased in 1959, and an additional three  
21 hundred are on order for delivery in 1960.

22 (e) Longitudinal Hopper Cars

23 As a means of reducing the cost of  
24 distributing track rock ballast, 1,495 units  
25 have been purchased in the last few years.  
26 When not required for railway work, these  
27 cars are used to handle revenue traffic  
28 such as coal.

29 (f) Depressed Flat Cars

30 These cars are designed to handle loads







1  
2 of unusual dimensions and weight. They are  
3 used principally for machines and electrical  
4 equipment such as generators. The trend in  
5 the electrical industry is to units of  
6 larger capacity which, of course results in  
7 greater weight. Realizing this, we have  
8 added to our fleet of depressed flat cars,  
9 two units with a carrying capacity of  
10 275,000 pounds and two with a capacity of  
11 335,000 pounds. Two units of 120,000 pounds  
12 capacity were purchased for use in Newfoundland.

13  
14 (g) Pulpwood Cars

15 Experiments are under way to reduce the  
16 cost to the railway and the paper industry  
17 in moving pulpwood from the forest to the  
18 mill. Two prototypes are now being tested.

19 (h) Covered Hopper Cars

20 These cars are used for moving goods  
21 in bulk to save cost of packaging. They  
22 handle many commodities such as cement, lime,  
23 soda ash, alumina and salt. There is an  
24 increasing demand for such cars as industry  
25 becomes equipped to load and unload them.

26 (i) Experiments in the Use of Aluminum

27 Five aluminum refrigerator cars are  
28 now undergoing performance testing. The  
29 principal advantages appear to be a saving  
30 in weight of approximately seven tons per





1  
2 car, improved resistance to corrosion from  
3 salt brine, and decreased maintenance expense  
4 in painting.

5  
6 12. Freight Shed Improvements

7 The movement of less-than-carload freight  
8 traffic has been expedited by the mechanization of a  
9 number of sheds and by the construction of new sheds  
10 at Montreal and Edmonton. As most of the clerical  
11 work involved in billing is performed by freight shed  
12 office personnel, new office machines and data  
13 processing techniques are installed wherever there is  
14 sufficient volume to permit economies.

15 13. Merchandise Services

16 On April 1, 1959, Canadian National  
17 established a new department known as Merchandise  
18 Services for the purpose of making the most efficient  
19 use of the various forms of rail and highway transport  
20 which are, or will be, available to the railway for the  
21 handling of non-carload freight and express traffic.

22 The ultimate goal of Merchandise Services  
23 is to present to the shipping public one department,  
24 one set of rates, one solicitation force, one form of  
25 documentation for all non-carload traffic, be it  
26 l.c.l. or express. Before this goal can be reached  
27 radical changes must be planned and tested for a basic  
28 scheme of collection, transit and distribution of  
29 such traffic across the country.

30 A start has been made in the Maritime







1  
2 provinces, and between Central Canada and the Maritime  
3 provinces, on the necessary basic distributing plan for  
4 the various types of non-carload traffic. A series of  
5 railheads has been established in the main centres of  
6 population in the Maritimes. The railhead plan  
7 involves the dispatch to one central point of cars  
8 containing traffic for as many as thirty-five  
9 communities in an area selected to be served from what  
10 might be called a distributing point. In some instances  
11 the traffic moves in trailers on flat cars. In other  
12 cases it moves in box cars and in still other cases  
13 it moves in high-speed box-baggage cars on passenger  
14 trains. At the distributing point the cars or trailers  
15 are unloaded and traffic is handled by highway vehicles  
16 to communities that may be as far as 50 to 75 miles from  
17 the railhead.

18 This scheme serves to reduce delays in  
19 transit, eliminate costly wayfreight handlings and  
20 reduce or eliminate small shed processing. It has also  
21 proven possible to reduce considerably car berthing  
22 requirements at the various terminals. In the final  
23 result, this scheme will permit the operation of much  
24 smaller l.c.l. or merchandise terminals where they are  
25 required and allow complete elimination of some of the  
26 intermediate and most of the smaller merchandise  
27 terminals. By increasing the average weight of lading,  
28 an effective reduction of box car equipment used in the  
29 movement of l.c.l. or merchandise traffic has also been  
30 possible.







1  
2           Railway-operated piggyback service is, of  
3 course an integral part of this basic plan of transit.  
4 Such service has been expanded considerably and several  
5 more expansions are in various stages of implementation.

6           Rates dealing with non-carload traffic are  
7 being continually assessed and whenever possible changes  
8 are and will be made with a view to improving the  
9 competitive position of the railway and its net  
10 revenues. Documentation is also being simplified.

11           In a short time it is anticipated that  
12 Canadian National will have a combination of rates  
13 and service on non-carload traffic that will permit of  
14 successful solicitation. Heretofore it has been  
15 difficult to persuade shippers to use railway l.c.l.  
16 service because of unreliability and excessive transit  
17 time.

18                   14. Piggyback Services

19           Before describing the advantages and  
20 development of piggyback services on Canadian National,  
21 four basic piggyback plans are defined as background  
22 information;

23                   Plan 1

24           Transportation by railroad of trailers of  
25 common carrier truckers. The railway provides the  
26 flat car and arranges for loading and unloading of  
27 trailers on and off the car. (Used on Canadian  
28 National).  
29  
30





Plan II

All of the service is performed by railway-owned trailers and flat cars. The railway also arranges for pick-up and delivery of shipments and performs loading and unloading of trailers. (Used on Canadian National).

Plan III

The shipper provides his own trailers, owning or leasing as he wishes. The railway arranges loading and unloading and transportation on flat cars owned by the railway. (Not used on Canadian National).

Plan IV

Shippers furnish both flat cars and trailers and perform loading and unloading, and pick-up and delivery. The railway only furnishes transportation by rail. Not used on Canadian National).

Advantages to the railways

While it is generally agreed that the idea of piggyback is not new, piggyback as we know it today certainly is. The introduction of Plan I has permitted the railway to share the revenue on the traffic moving by highway carrier while Plan II has given the railway a new and greater flexibility, and at the same time enabled it to reduce expensive and time-consuming terminal shed handlings.

Advantages to the Motor Carriers

Piggyback has given the "for hire" motor







1  
2 carrier an additional facility which enables him to  
3 offer an improved service to the shipping public.  
4 No longer is the motor carrier compelled to hold  
5 traffic received during extended peak periods. All  
6 traffic can be cleared each night with better  
7 utilization of trailer equipment. The intangible  
8 benefits are also many, such as, a worry-free operation,  
9 the fact that a large number of trailers will be  
10 available for concentrated handling at a given hour,  
11 plus the extended life of equipment. There is a  
12 definite saving to be realized by the motor carrier  
13 as evidenced by the ever increasing use of this  
14 service.

15  
16 Growth of Plans I and II

17 Plan I piggyback operations came into effect  
18 in Canada in October 1957 with ten common carriers  
19 participating in a service between Montreal and  
20 Toronto. Plan I services were inaugurated between  
21 Western Ontario and Winnipeg during March 1958; between  
22 Winnipeg, Regina, Calgary, Edmonton and Vancouver  
23 during February 1959; and between Montreal and Quebec  
24 during April 1959. All these Plan I services are  
25 available to highway common carriers. In addition,  
26 Plan I services have been available on a system basis  
27 to carriers of household goods since March 1959. This  
28 plan is being used by approximately fifty common  
29 carriers for freight and fifteen household goods  
30 carriers.







1  
2 Inauguration of Plan II took effect in  
3 December 1952 serving the following points: Windsor,  
4 London, Hamilton, Toronto and Montreal. A big step  
5 forward was its extension to the Maritimes during  
6 April 1958. It became international on March 10, 1959,  
7 when service was inaugurated between New York and  
8 Toronto. The demand for Plan II piggyback service  
9 has proven very popular. There was an increase of over  
10 75% in Canadian National's trailer equipment during the  
11 last six months of 1959.

#### 12 Future Development of Piggyback

13 Attempting to define the future development  
14 of piggyback is rather difficult. Geographically, Plan  
15 I piggyback is operated very extensively. There is  
16 still a large field for expansion of Plan II piggyback,  
17 particularly in services that would be substitutions  
18 for the operation of standard railway equipment. There  
19 is a possibility that a field exists in Canada for Plan  
20 III and Plan IV, and the railway is presently engaged  
21 in estimating their possible effects on other methods  
22 of transportation offered the shipping public by the  
23 railway.

24 The chief difficulty in forecasting the  
25 future of piggyback is that many transportation experts  
26 feel that a more efficient form of co-ordinated service  
27 should be available to the railways in the near future.  
28 There are several possibilities. One would be to move  
29 the cube of the trailer and leave the running gear  
30 behind, which, in effect is containerization. This





1  
2 form of co-ordinated service should lend itself more  
3 readily to international and even intercontinental  
4 service. Another, more intriguing, is the elimination  
5 of the flat car itself by equipping a semi-trailer  
6 with both rubber-tired wheels and flanged wheels, and  
7 stressing the vehicles so that they may be operated  
8 in train lots. These two methods are now being tested  
9 by different railroads in the United States. Canadian  
10 National has a technical committee charged with the  
11 responsibility of following these experiments and  
12 authorized to conduct their own experiments if  
13 necessary. It is doubtful if any one form of  
14 coordinated service can provide all the answers to  
15 efficient land transportation. It is expected, however,  
16 that in some degree all of these various forms,  
17 including orthodox piggyback, will find their own natural  
18 areas wherein each is the most efficient.

19  
20 Up to this point the changes which have been  
21 described to meet the new conditions facing Canadian  
22 National in recent years involve only those matters  
23 which are within the scope of railway management's  
24 authority to deal with. Other aspects of the railway's  
25 plant and facilities cannot be changed without approval  
26 of the Board of Transport Commissioners as set out in  
27 the Railway Act or other legislation. It is proposed  
28 now to deal with these matters, showing what has been  
29 done under the existing legislation and what remains  
30 to be done and the changes which are required in  
legislation or other regulation in order to accomplish it.







B. Branch Line Abandonments

Canadian National's railway system consists of a number of main lines, designed to link major geographic areas of Canada and to supply all areas with access to and from foreign markets, and of a larger number of branch lines which were built to give similar rail transportation advantages to a great many communities which had been by-passed by main lines. Consequently, in addition to supplying transportation between the communities situated along its axis, a branch line serves mainly as a gathering and distributing auxiliary of the main line. It permits goods to flow between the communities served by the branch line and all other points served by the Canadian National system and its connecting carriers.

Most of Canadian National's branch lines were built when the highway network was primitive and before the introduction of the motor vehicle. In that day these branches handled practically all traffic which was moving. However, competition between rail carriers of the day resulted in the construction of a certain amount of duplicate trackage and some without economic justification. Furthermore, the traffic density of certain areas failed to reach or maintain the level required for the justification of certain lines in terms of present day economics. In addition, the amalgamation of previously independent lines into the Canadian National system resulted in a further number of lines becoming duplicate.

With the construction by the provinces of extensive networks of modern highways and with thousands of highway trucks now able to perform local and inter-area transportation work, many of the branch lines have now served their purpose and can be abandoned or consolidated. Some progress has already been made in this connection.







1  
2 1. Lines Abandoned Since 1923: Statement NO-1  
3 gives a summary by provinces of all branch lines  
4 abandoned on Canadian National between 1923 and 1959.  
5 The total trackage abandoned in that period was 1495  
6 miles. So far in 1960 the Board has issued abandonment  
7 orders in respect of three cases, totalling 26 miles of  
8 track in New Brunswick, Ontario and Quebec.

9 2. Applications Currently Before the Board of  
10 Transport Commissioners for Canada: A number of  
11 applications are currently before the Board of Transport  
12 Commissioners for permission to abandon some 195 miles  
13 of track, with the following regional distribution:

<u>Region</u>	<u>Subdivisions Affected</u>	<u>Miles of Track</u>
Atlantic	1	4
Central	1	19
Western	<u>3</u>	<u>172</u>
Total	5	195

14  
15  
16  
17  
18  
19  
20 All applications have been dealt with by the  
21 Board and judgments are awaited.

22 3. Lines Studied but Abandonment not applied  
23 for: The branch lines that have been abandoned are  
24 not the only ones that have been examined by the  
25 railway as possible candidates for abandonment.  
26 During recent years the railway has examined the merit  
27 of abandoning over 550 miles of trackage, distributed  
28 as follows:  
29  
30





<u>Region</u>	<u>Subdivisions Affected</u>	<u>Miles of Track</u>
Atlantic	7	127
Central	9	242
Western	<u>6</u>	<u>188</u>
Total Lines Studied	22	557

After considering the economics and the market potential of these individual lines, the studies concluded that partial or total abandonment of these 22 subdivisions was not warranted.

4. Lines Presently Under Review: A number of lines are currently under active study covering 82 miles of one subdivision on the Atlantic Region, 5 miles on the Central Region and 145 miles on four subdivisions on the Western Region. Finally, it is proposed to undertake studies in the immediate future to review the economics of partial or total abandonment of twenty-three subdivisions on the Central Region, with 590 miles involved, and five subdivisions on the Western Region representing 122 miles. In addition, a general review of all trackage and services in Western Canada, in conjunction with various shipping interests, is now in progress.

5. Present Abandonment Procedure: Canadian National continuously follows a policy of careful examination of its low density branch lines. In those cases where substantial losses are occurring, and there is no overriding requirement that the line be retained for some particular operating purpose, an







1  
2 application is prepared and put before the Board of  
3 Transport Commissioners for permission to abandon  
4 the trackage.

5 Prior to making the formal application, how-  
6 ever, traffic and other officers study the future  
7 potential of the area concerned and discuss the  
8 railway's problem with local officials in an endeavour  
9 to find some justification for retaining the line.  
10 This period of study and discussion often takes a year  
11 or more. If no solution to the problem of the branch  
12 line's deficit can be found, the application is then  
13 made to the Board.

14 The review of individual situations is  
15 assisted by the preparation of a traffic density study  
16 made every three years. The latest such study, of the  
17 traffic carried in 1959, indicates that Canadian  
18 National still has a considerable amount of branch line  
19 trackage of very low density. While detailed examina-  
20 tion of each of these lines is required before a  
21 decision can be made as to whether the trackage should  
22 be retained or abandoned, nevertheless it is clear  
23 that a considerable mileage of such trackage may well  
24 be unprofitable. Based upon this statistical infor-  
25 mation and other information and indications available to  
26 our officers, studies of these low density lines are  
27 proceeding actively.

28 As in the case of passenger train service,  
29 public objection to railway proposals to abandon branch  
30 lines is usually of such a strenuous nature that only







1  
2 the most obvious cases have been dealt with so far.  
3 The substantial increase in good highways and alternate  
4 means of transport throughout Canada indicate that the  
5 railways should be allowed to abandon unprofitable  
6 branch lines where suitable alternate services are  
7 or can be made available to the public. Canadian  
8 National suggests that legislation and procedure for  
9 dealing with branch line abandonments should be modified  
10 so that railways can modernize their plants in order  
11 to meet the requirements of this competitive age.  
12 This can be achieved with full protection for the public  
13 interest which may be involved.

14 The present legislation governing abandonment  
15 of branch lines was enacted in 1933 and is known as  
16 Section 168 of the Railway Act:

17 "168. The company may abandon  
18 the operation of any line of railway with  
19 the approval of the Board, and no company  
20 shall abandon the operation of any line  
21 of railway without such approval.

22 1932-33, c. 47, s. 1."

23 At about the same time a similar provision was incor-  
24 porated in the C.N.-C.P. Act as Section 2(3):

25 "2 (3) Notwithstanding anything in  
26 this Act or in any other Act any railway  
27 company may abandon the operation of any  
28 line of railway with the approval of the  
29 Board of Transport Commissioners for  
30 Canada, and no railway company shall





1  
2 abandon the operation of any line of  
3 railway without such approval.

4 1932-33, c. 33, s. 2; 1938, c. 53,  
5 s. 3; 1939, c. 37, s. 2."

6 When such an application is made to the  
7 Board, it gives full consideration to the questions  
8 of necessity and convenience of the public as may  
9 be affected by the abandonment, as well as the  
10 burdens which continued operation would impose upon  
11 the railway. The Board's procedure calls for proof  
12 by the railway of:

- 13 (a) revenues and expenses of the line con-  
14 cerned and of the system allocatable  
15 to the line, for the previous three  
16 years;
- 17 (b) existing train services, volume and type  
18 of traffic, length of line, and railway  
19 facilities on the line;
- 20 (c) alternative railway and other transpor-  
21 tation services;
- 22 (d) estimated annual savings to the railway  
23 company by abandonment and the burden to  
24 the company of continued operation;
- 25 (e) nature of the area served, productivity,  
26 future prospects;
- 27 (f) subsidies granted to the company in  
28 respect of the line and any agreement  
29 to provide service; and
- 30 (g) the convenience and transportation needs  
of the public concerned.







1  
2           This information is contained in the rail-  
3 way's application which is served on all public officers  
4 of municipalities concerned and on elected representa-  
5 tives for the area.     A public hearing is held and the  
6 railway is put to proof, through its witnesses, of all  
7 the facts contained in its application.     Opposition  
8 is met in nearly every case.     While occasionally  
9 such opposition may have real substance, it is  
10 usually based mainly upon the effect which local people  
11 fear will result to their community from the abandon-  
12 ment.     They urge that people who have settled in the  
13 area will leave their homes and move elsewhere and  
14 that great hardship will be suffered.     The facts  
15 usually show, however, that very few, if any, of them  
16 are using the rail services that have been there for  
17 many years and that highways are available.     In many  
18 cases other public services accommodate them.

19         6.       Policy for the Future and Changes in  
20 Legislation Necessary to Implement it:     The abandon-  
21 ment of a railway line is a serious matter and is only  
22 put forward by the railway company after full con-  
23 sideration of all the facts and approval by its Board  
24 of Directors.     It is Canadian National's view that a  
25 more expeditious procedure should be provided for  
26 dealing with branch line abandonments in order that  
27 railways may obtain the economies which in the end  
28 will benefit both the public and the railway while  
29 still protecting the basic interest of the shipping  
30 public concerned.     As in the case of passenger train







1  
2 service, past experience before the Board does not give  
3 much confidence that a real attack on this problem  
4 will meet with success unless a favourable "climate"  
5 is created within which to conduct such investigations  
6 and inquiries.

7 Canadian National is anxious to have the  
8 cooperation of provincial and municipal authorities in  
9 dealing with these problems. It is quite prepared to  
10 examine each one in company with their officials and  
11 also, in western Canada, with the large grain handling  
12 organizations. In fact a start on such a study has  
13 already been made in the west. Planning might well be  
14 done on an area basis rather than on the basis of  
15 individual lines. Success in such an endeavour,  
16 however, will require a clear legislative directive  
17 concerning the rules to be applied as well as fairness  
18 and candor on both sides.

19 Cooperative procedures such as suggested  
20 above may result in certain agreements as to programming  
21 and timing of line abandonments or alterations, but  
22 under present legislation the Board will have to deal  
23 with each case in the matter of final approval. At  
24 that point any person who is affected by the abandon-  
25 ment has a right to object, notwithstanding agreements  
26 reached between the railway and governments or the grain  
27 companies. In such circumstances it is again clearly  
28 imperative that all concerned, including such affected  
29 persons, have before them a clear legislative direc-  
30 tive as to the policy to be followed.





1  
2 Canadian National believes that where alter-  
3 nate services are available to the public there should  
4 be no question as to its right to abandon a branch  
5 line which does not return at least its variable cost  
6 of operation. As in the case of its passenger train  
7 services Canadian National recognizes that some branch  
8 lines may need to be retained in order to give ser-  
9 vice to the public where no suitable alternate ser-  
10 vice is or can be made available, even though the rail  
11 service is performed at a loss, but only on the basis  
12 that such loss will be paid to it by the public  
13 treasury. Those lines which the Board orders the  
14 railway to retain on grounds of public policy should  
15 be reviewed periodically so that the public treasury  
16 may be relieved of its burden as soon as the line  
17 becomes economically self-supporting or alternate  
18 service is provided.

19 Canadian National believes that given this  
20 legislative support, it can achieve a major reorganiza-  
21 tion of its plant and thereby realize substantial  
22 economies which are urgently needed if the railway is  
23 to fulfill its obligation to provide efficient service  
24 to the shipping public of Canada at just and reasonable  
25 rates.

26 Recommendation: Canadian National recommends  
27 that the proper climate for dealing with the elimina-  
28 tion of unproductive branch lines will be engendered  
29 and also that direction will be given to all concerned  
30 by an amendment to Section 163 of the Railway Act as









1  
2 shown in Chapter VI, page 63.

3  
4 C. Consolidation of Canadian National's Railway  
5 Facilities.

6 In addition to improving the legislative  
7 climate so that abandonment of unnecessary branch lines  
8 and elimination of deficit producing passenger ser-  
9 vices can be proceeded with in a realistic manner,  
10 your Commission should encourage the public to accept  
11 greater consolidation of the Company's railway  
12 facilities so that plans could be made on an area  
13 basis to convert its plant to one more suitable to  
14 the needs of today's shipping public. Such plans  
15 could encompass not only abandonment of certain  
16 trackage but elimination or consolidation of stations  
17 or other facilities in the area, and the substitution  
18 of more economical rail or highway services for con-  
19 ventional trains or integration of rail and highway  
20 services.

21 Such schemes would be an alternative to the  
22 abandonment of lines, stations or services on a  
23 piecemeal basis, but would be very difficult to  
24 accomplish at the present time because of the conflic-  
25 ting interests of the various elements of the public  
26 involved. A procedure should be evolved whereby such  
27 plans could be developed through cooperation of rail-  
28 way, provincial, municipal and other major interested  
29 parties. Any approval required from the Board would  
30 then be sought with such organizations supporting the





1  
2 railway's application.

3           Some attempt has been made recently in the  
4 United States to rearrange station services on an area  
5 basis but it has run into heavy opposition. Pending  
6 the development of some cooperative arrangement which  
7 would avoid the problems arising in the United States,  
8 Canadian National has been proceeding to eliminate  
9 stations, agents and buildings wherever it can see  
10 there is no longer any real public need for them.  
11 It is estimated that each agency eliminated produces  
12 a saving of at least \$5,000 per year.

13           Originally, stations were located at inter-  
14 vals of about seven miles dictated by the limitation  
15 of horse-drawn carriages and then existing railway  
16 operating requirements. Clearly the advent of the  
17 motor vehicle and modern railway operating practices  
18 make substantial rearrangement of these services  
19 necessary. The changes Canadian National has made  
20 in this regard since 1950 are as follows:  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30







Station Changes

Stations Bldgs

<u>Province</u>	<u>Agencies Dis-continued</u>	<u>Care-takers Removed</u>	<u>Com-pletely Removed</u>	<u>Replaced by Shelter</u>
-----------------	-------------------------------	----------------------------	----------------------------	----------------------------

Years 1950 to 1959

Newfoundland	3	10	3	-
Nova Scotia	5	18	34	9
P. E. I.	-	-	1	-
New Brunswick	4	37	51	4
Quebec	36	53	40	-
Ontario	52	36	88	3
Manitoba	32	28	38	-
Saskatchewan	38	12	30	-
Alberta	24	6	24	9
British Columbia	1	-	26	1
Total to Dec.31,1959	195	200	335	26

Part Year 1960 - Jan. 1 to Sept. 1

All Canada	<u>20*</u>	<u>44</u>	<u>238</u>	<u>-</u>
Total to Sept.1,1960	<u>215</u>	<u>244</u>	<u>573</u>	<u>26</u>

\*Note: 23 additional applications to discontinue agencies have been made in 1960 and are still pending before the Board.

Recommendation: Canadian National submits that your Commission should, in its report, recommend to the public, the railways and other interested parties the necessity of cooperating in the preparation and carrying





1  
2 out of plans for consolidation of railway plant and  
3 facilities with a view to achieving economies in railway  
4 operations while at the same time providing suitable  
5 rail services for the shipping public.

6 Such a recommendation from your Commission  
7 would be a clear direction to the public of the ad-  
8 visability and necessity of economies in rail operations  
9 and form the basis for cooperative action toward that  
10 end.

11  
12 CHAPTER V

13 Non-Rail Assets and Earnings:

14 The Non-Rail Assets of the Canadian National  
15 Railways System are included in the following classifi-  
16 cations appearing on the Consolidated Balance Sheet at  
17 December 31, 1959.

18	Property Investment	
	Other Physical Properties	\$ 99 119 545
19	Investments in Affiliated	
20	Companies Not Consolidated	\$ 187 138 888

21 The "Other Physical Properties" consist  
22 mainly of Hotels (The Newfoundland, Nova Scotian,  
23 Charlottetown, Queen Elizabeth, Chateau Laurier, Fort  
24 Garry, Bessborough, Macdonald, Jasper Park Lodge and  
25 Hotel Vancouver); The International Aviation Building  
26 in Montreal; The Montreal Warehousing Company; The  
27 Montreal Stock Yards Company; Pacific Coast Steamship  
28 Services (S.S. Prince George); and Land and Buildings  
29 not required for railway purposes.

30 Details of the "Investments in Affiliated







Companies Not Consolidated" appear on page 35 of the 1959 Annual Report. Certain of these investments particularly the investments in The Belt Railway Company of Chicago, The Chicago & Western Indiana Railroad Co., The Detroit & Toledo Shore Line Railroad Co., The Detroit Terminal Railroad Co. and also Trans-Canada Air Lines are regarded as Non-Rail since they do not relate to the operations of the Railway in Canada. In addition, the Canadian National Railways owns Central Vermont Railway, Inc., Duluth, Winnipeg and Pacific Railway Company and the Grand Trunk Western Railroad Company which operate railway lines in the United States. The assets of those companies are consolidated with the other companies in the System and are not shown separately on the Balance Sheet at December 31, 1959. They do, however, constitute a part of the non-rail assets of the Canadian Company as reported to the Board of Transport Commissioners.

Earnings from the "Other Physical Properties" and from the "Investments in Affiliated Companies Not Consolidated" are carried in the financial statement as "Other Income" and are a part of the total of \$11,017,815 shown on page 29 of the 1959 Annual Report. These earnings are subject to reduction for a part of the "Fixed Charges" that also appear on page 29 in the total amount of \$52,918,886. The following is a summary of the main items included under these two categories. The total of each item is shown in the first column to identify it with the corresponding





item in the Consolidated Income Statement, and the second column represents the portion of that total which consists of the Income from the Non-Rail Assets.

	Total as Shown on Page 29 of 1959 Annual Report	Portion of the Total Applicable to Non-Rail Assets
<u>OTHER INCOME</u>		
Income from Lease of Road	\$ 43 398	
The non-rail portion represents rents from the Boston & Maine and the Chesapeake & Ohio Railway for use of certain sections of the lines in the United States		\$ 9 595
Miscellaneous Rents (Net)	1 600 949	
The non-rail portion represents rentals of land, buildings and other railway property in the United States		200 720
Income from Non-Transportation Properties	1,425,791	
All the items in this group are classified as non-rail and they represent the income (before fixed charges) from the Aviation building, Montreal Warehouse, Montreal Stock Yards, Pacific Coast Steamship Services, Land and buildings not required for railway purposes, and other income of a non-rail nature		1,425,791
Hotel Income	2,428,435	
All the Income (before fixed charges) from the chain of hotels as listed above is classified as non-rail		2,428,435







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TORONTO, ONTARIO

Hart, dir.  
(McDonald)

18473

Dividend Income

233,866

All the dividend income relates to non-rail investments. Dividends were received from The Detroit & Toledo Shore Line Railroad Co., Public Markets Limited and other sundry non-rail investments

233,866

Interest Income

The non-rail portion represents

4,695,540

(a) Interest from non-rail investments in Canada and the United States

41,513

(b) Interest from Trans-Canada Air Lines

3,714,850

Note: The capital requirements of T.C.A. are provided by C.N.R. The cost to C.N.R. is shown below under Fixed Charges.

Miscellaneous (Net Debit)

(324,523)

The portion applicable to non-rail assets is a credit of

(70,114)

Profit and Loss - Net

914,359

The non-rail portion represents sundry items, mainly in the United States

45,357

Total Other Income

\$11,017,815

\$ 8,170,241





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Deduct - FIXED CHARGES

Rent for Leased Roads \$ 133,619

The non-rail portion  
represents rents for  
use of certain sections  
of other railroads in  
the United States \$ 38,064

Interest

Interest on bonds, debentures, etc. 38,691,827

Interest on government loans 12,533,180

Interest on other debt 272,618

Amortization of discount 1,287,642

52,785,267

The non-rail portion of  
this interest represents

(a) Interest costs of  
borrowings for TCA  
(see above) 3,714,850

(b) Interest costs appli-  
cable to investments  
in Hotels and other  
non-transportation  
properties 1,423,042

Total Fixed Charges \$52,918,886 \$ 5,175,956

SUMMARY

Other Income - Non-Rail \$ 8,170,241  
Fixed Charges - Non-Rail 5,175,956

Net of Other Income less Fixes  
Charges on Non-Rail Assets \$2,994,285

It is the opinion of Canadian National that  
the non-rail assets and non-rail earnings should not be  
taken into consideration at the time of establishing  
freight rates. If the non-rail assets and earnings







1  
2 were taken into account the results would be an un-  
3 economic distribution of resources, since all the  
4 expenses incurred in the rail operation would not  
5 be paid for by the rail users. Non-rail assets and  
6 earnings may vary radically between railway companies.  
7 This is the case as between Canadian National and  
8 Canadian Pacific. As long as the Board uses  
9 Canadian Pacific as the yardstick for fixing rates  
10 Canadian National must accept rates based upon what-  
11 ever that company is allowed to take into account in its  
12 calculations of revenues and expenses. It would be  
13 most unfair to penalize Canadian National by requiring  
14 it to fix rates on levels which take into account  
15 Canadian Pacific's substantial other income which  
16 Canadian National does not enjoy in like measure.  
17 In addition, non-rail assets may have varying degrees  
18 of profitability even to the extent of having losses  
19 which would have to be taken into account if profits  
20 were considered.

21 Section 387 of the Railway Act requires  
22 the Board of Transport Commissioners to prescribe a uni-  
23 form classification and system of accounts and returns  
24 for the Canadian National Railway Company and the  
25 Canadian Pacific Railway Company and to "prescribe  
26 the items that shall be classed as items relating to  
27 railway operations in the accounts and returns".  
28 Effective January 1, 1956, the Board issued the  
29 Uniform Classification of Accounts and Section 10 of  
30 the General Instructions sets out in detail the method





1  
2 to be followed by the railways in segregating and  
3 reporting their rail operations and their non-rail  
4 operations. The Canadian National prepares its  
5 reports to the Board of Transport Commissioners in  
6 the manner prescribed by this General Instruction.  
7 Therefore, there would not appear to be any necessity  
8 for the R<sup>A</sup>ilway Act to further define non-rail assets  
9 and earnings

10  
11 CHAPTER VI

12  
13 Railway Legislation.

14 A review of railway legislation leads to  
15 the conclusion that some statutory provisions do or  
16 could create difficulties for the railways in meeting  
17 current problems and are in urgent need of change,  
18 whereas other provisions, while also out of tune with  
19 present day conditions in railroading, nevertheless  
20 will admit of more detailed and lengthy study to  
21 enable the whole concept of railway legislation to be  
22 brought up to date. It is proposed, therefore, to  
23 set out herein:

24 Those sections of railway legislation  
25 which it is desirable to change or amend  
26 immediately, and

27 Some of the provisions of the legislation  
28 which are out of date and are indicative of  
29 the desirability or need of a general revision  
30 of the Railway Act and other railway legislation.







A. Changes in Railway Legislation Which  
are Required Immediately

1. Appeals to Governor General in Council

Section 53(1), The Railway Act:

"The Governor in Council may at any time in his discretion, either upon petition of any party, person or company interested, or of his own motion, and without any petition or application, vary or rescind any other, decision, rule or regulation of the Board, whether such order or decision is made inter partes or otherwise, and whether such regulation is general or limited in its scope and application; and any order that the Governor in Council may make with respect thereto is binding upon the Board and upon all parties."

Section 53 (1) of the Railway Act gives the Governor in Council unrestricted power at any time to vary or rescind any order, decision, rule or regulation of the Board. This power is exercisable in such manner that the Governor in Council may overrule decisions rendered by the Supreme Court of Canada following appeals taken to that Court under Section 53(2).

Since on matters of law or jurisdiction an appeal lies to the Supreme Court of Canada, which is the court of last resort, any interference with the decision of that Court necessarily runs counter to





1  
2 the law.

3 The Supreme Court's decisions on matters  
4 of law or jurisdiction should be just as final on an  
5 appeal from the Board as it is on appeals from other  
6 courts of record. There is no provision similar to  
7 Section 53(1) in modern legislation dealing with  
8 control of public utilities by regulatory agencies.  
9 For example, Section 18 of the National Energy Board  
10 Act provides for an appeal to the Supreme Court in much  
11 the same terms as Section 53(2) of the Railway Act.  
12 However, that Act which was passed in 1959 does not  
13 give overriding jurisdiction to the Governor in  
14 Council.

15 Recommendation:

16 Canadian National recommends that Section  
17 53(1) be amended so that the Governor in Council will  
18 have no power to vary or rescind an order, decision  
19 or regulation of the Board which has been the matter  
20 of a Judgment of the Supreme Court of Canada follow-  
21 ing an appeal to that Court taken under Section 53(2).

22 2. Abandonment of Lines

23 Section 168, the Railway Act:

24 "The company may abandon the operation  
25 of any line of railway with the approval  
26 of the Board, and no company shall abandon  
27 the operation of any line of railway with-  
28 out such approval."

29 It is considered that railway companies  
30 should be encouraged rather than hindered in their







1  
2 efforts to abandon trackage which is no longer  
3 patronized and has become unremunerative. Full  
4 reasons supporting this recommendation are set out  
5 in Chapter IV of this submission.

6  
7 Recommendation:

8 Canadian National recommends that Section 168,  
9 the Railway Act, be amended in the manner indicated  
10 hereunder, to make it clear that a railway is relieved  
11 of any obligation to continue an operation when the  
12 revenues therefrom fail to meet the costs of opera-  
13 tion.

14 Proposed Section 168:

- 15 168. (1) Notwithstanding anything in this or  
16 any other Act the Company may, subject to  
17 this section, abandon the operation of any  
18 line of railway whenever the revenues from  
19 the operation of such line of railway fail  
20 to meet the cost of operation.  
21 (2) Ninety days' notice of any decision of  
22 the company to abandon any line of railway  
23 shall be given to the Board.  
24 (3) The Board may, with the approval of  
25 the Governor in Council, by order, restrict or  
26 forbid the exercise of any right under  
27 this section whenever, in its opinion, the  
28 maintenance of the line of railway is  
29 required in the public interest.  
30 (4) The amount of any loss to the company





1  
2 arising out of any order made pursuant  
3 to subsection (3) shall, upon verification  
4 and certification by the Board, be paid  
5 to the company annually out of the  
6 Consolidated Revenue Fund.

7 Section 2(3) of the Canadian National-  
8 Canadian Pacific Act also deals with line abandonments  
9 in language similar to Section 168 of the Railway Act.  
10 This section is superfluous. It should either be  
11 repealed or amended in the same way as Section 168.

12 3. Railway Grade Crossing Fund

13 Section 265 (1), the Railway Act:

14 "The sums heretofore or hereafter  
15 appropriated and set apart to aid actual  
16 construction work for the protection,  
17 safety and convenience of the public in  
18 respect of crossings shall be placed to  
19 the credit of a special account to be  
20 known as 'The Railway Grade Crossing  
21 Fund', and shall in so far as not already  
22 applied, be applied by the Board in its  
23 discretion, subject to the limitations set  
24 forth in this section, solely towards the  
25 cost, not including that of maintenance  
26 and operation, of

27 (a) work actually done for the protection,  
28 safety and convenience of the public  
29 in respect of existing crossings at  
30 rail level, and







1  
2 (b) work actually done in respect of  
3 reconstruction and improvement of  
4 grade separations that are in existence  
5 at crossings upon the coming into force  
6 of this subsection and that, in the  
7 opinion of the Board, are not adequate,  
8 by reason of their location, design  
9 or size, for the highway traffic  
10 using them."

11 In 1909 Parliament enacted the Railway Grade  
12 Crossing Fund provisions of the Railway Act, now found  
13 in Section 265. The detailed history of the Fund  
14 is contained in the Report on the Railway-Highway  
15 Crossing Problem in Canada made by the Board of  
16 Transport Commissioners dated May 10th, 1954, pur-  
17 suant to Order in Council P.C. 1953-52 of January  
18 14th, 1953.

19 While the amount of money available for  
20 assistance in elimination or improvement of con-  
21 ditions at grade crossings has risen over the years  
22 from \$200,000 to its present level of \$15,000,000  
23 per annum, no provision has ever been included which  
24 would allow the Fund to contribute toward the  
25 cost of maintenance and operation of protection de-  
26 vices or grade separations. The argument has  
27 always been that the money is for the purpose of  
28 eliminating the danger and that once it is  
29 eliminated it is the responsibility of the parties  
30 concerned to continue the process in being.





1  
2 The burden placed upon the railways and others,  
3 has been increasing in recent years to the point where  
4 it has become extraordinarily heavy. On Canadian  
5 National the annual bill for maintenance and operation  
6 of protective devices has climbed to over \$1,400,000  
7 a year. With this protection programme proceeding  
8 at a pace which calls for at least 200 new crossing  
9 protection installations per year with the Board  
10 spending \$15 million a year, representing about 80 per  
11 cent of the cost of installations made, the increased  
12 cost of annual maintenance and operation falling upon  
13 the railways, who normally pay 50 per cent of such costs,  
14 is alarming. Since the municipalities pay one-half  
15 of this maintenance and operation cost, their burden  
16 is also growing rapidly.

17 The Board dealt with this question in its  
18 report on the Railway-Highway Crossing Problem in  
19 Canada referred to above. At page 63 it said:

20 "the average annual maintenance costs  
21 . . . at 1953 cost levels, amount fo  
22 \$560.00 for automatic flashing lights  
23 and \$865.00 for automatic short arm  
24 gates."

25 and at page 64:

26 "For these reasons, it would seem in  
27 order that the Fund assume some share of  
28 the maintenance costs, since a good pro-  
29 portion of these will be incurred as a  
30 result of the proposed extended aid to new







1  
2 projects in the coming years. We would  
3 recommend that a fixed amount of \$200  
4 be the contribution from the Fund toward  
5 annual maintenance and operation charges  
6 only on automatic signals installed at  
7 crossings after the date this provision  
8 takes effect . . . The remaining main-  
9 tenance costs would be apportioned accord-  
10 ing to principles already laid down or  
11 previous practices of the Board."

12 This recommendation of the Board was not  
13 acted upon by Parliament and no change has been made  
14 in the Railway Act. Discussion of the matter before  
15 a Parliamentary Committee indicated that the  
16 stumbling block arose because of the suggestion made  
17 by the Board that the contributions to maintenance  
18 would be limited to future cases and that all  
19 those that had been dealt with in the past would be  
20 left on the original basis. It was felt that this would  
21 cause dissension between municipalities where the  
22 Board would be contributing to the maintenance of a  
23 crossing in one locality but not doing so in respect  
24 of an older one in another

25 The Board recognized the need for relief.  
26 It is respectfully suggested that funds should be  
27 made available so that the contribution to maintenance  
28 and operation costs can be made in respect of all  
29 crossings, both those in existence and to be protected  
30 in the future. The relief given to municipalities





1  
2 and the railways in respect of existing crossings  
3 will enhance their ability to contribute toward the  
4 growing volume of such works to be installed in  
5 the future. The benefit in respect of future instal-  
6 lations, when the numbers involved will greatly exceed  
7 anything we have seen in the past, will prevent this  
8 burden from becoming one which might cripple the  
9 ability of the municipalities and the railways to  
10 continue the programme to its logical conclusion.

11 Recommendation:

12 Canadian National recommends that Section 265  
13 of the Railway Act be amended to allow contribution  
14 from the Railway Grade Crossing Fund toward the cost  
15 of maintenance and operation of protection of any  
16 type at existing crossings in such amount as the  
17 Board may deem reasonable. The Fund should also be  
18 allowed to share in the cost of maintenance and  
19 operation of crossings protected in the future in the  
20 same proportion as it presently shares in the cost  
21 of construction.

22 4. Discontinuance of Passenger train Services.

23 Section 215 (1), the Railway Act:

24 "The company, shall, according to its  
25 powers,

26 (a) furnish, at the place of starting  
27 and at the junction of the railway with  
28 other railways, and at all stopping places  
29 established for such purpose, adequate and  
30







1  
2 suitable accommodation for the receiving  
3 and loading of all traffic offered for  
4 carriage upon the railway:

5 (b) furnish adequate and suitable accom-  
6 modation for the carrying, unloading  
7 and delivering of all such traffic;

8 (c) without delay, and with due care  
9 and diligence, receive, carry and deliver  
10 all such traffic;

11 (d) furnish and use all proper appliances,  
12 accommodation and means necessary for  
13 receiving loading, carrying, unloading  
14 and delivering such traffic; and

15 (e) furnish such other service incidental  
16 to transportation as is customary or  
17 usual in connection with the business of  
18 a railway company, as may be ordered by  
19 the Board."

20  
21 Recommendation:

22 Canadian National recommends that the Railway  
23 Act be amended in the manner indicated hereunder, for  
24 the reasons set out in Chapter III of this submission,  
25 to allow a railway company, after notice has been  
26 given, to discontinue the operation of any passenger  
27 train service when the revenues therefrom fail to  
28 meet the cost of operation:

29 Proposed 315 (A):

30 315A. (1) Notwithstanding anything in





1  
2 this or any other Act the company may,  
3 subject to this section, discontinue the  
4 operation of any passenger train service  
5 whenever the revenues from such service fail  
6 to meet the cost of operation.

7 (2) Ninety days' notice of any  
8 decision of the company to discontinue any  
9 passenger train service shall be given to  
10 the Board.

11 (3) The Board may, with the approval of  
12 the Governor in Council, by order, restrict  
13 or forbid the exercise of any right under  
14 this section whenever, in its opinion,  
15 the maintenance of the service is re-  
16 quired in the public interest.

17 (4) The amount of any loss to the  
18 company arising out of any order made pur-  
19 suant to subsection (3) shall, upon  
20 verification and certification by the Board,  
21 be paid to the company annually out of the  
22 Consolidated Revenue Fund.

23  
24 5. Quantity Rates

25 Section 317 (3), the Railway Act:

26 "The tolls for carload quantities  
27 or longer distances, may be proportionately  
28 less than the tolls for less than carload  
29 quantities, or shorter distances, if such  
30 tolls are, under substantially similar cir-  
cumstances, charged equally to all persons."







1  
2 This section provides that the tolls for  
3 carload quantities or longer distances, may be propor-  
4 tionately less than the tolls for less than carload  
5 quantities, or shorter distances. As interpreted by  
6 the Board, tolls must be based upon a single carload  
7 quantity and it is not permissible to make rates based  
8 upon any other basis, such as, for example, a bulk  
9 quantity of 100,000 tons.

10 Section 32 (6) of the Transport Act should  
11 be noted in this connection:

12 "An agreed charge shall be made on  
13 the established basis of rate making and  
14 shall be expressed in cents per 100  
15 pounds or such other unit of weights or  
16 measurement as is appropriate; the car-  
17 load rate for one car shall not exceed  
18 the carload rate for any greater number  
19 of cars."

20 It will be seen that in making agreed  
21 charges railway companies are prohibited from making  
22 quantity rates and under the Railway Act the carload  
23 is the only basic unit they are authorized to quote  
24 rates on. In meeting competition, particularly by  
25 water carriers, it is highly desirable that the  
26 railways be empowered to make rates on a tonnage basis  
27 as well as per carload. This practice is today in  
28 effect for trucking and steamship movements in  
29 Canada, and also on railways in the United States  
30 where quantity rates can now be made on the basis of





1  
2 a quantity larger than a carload when moving as a single  
3 shipment and designed to meet the competition of other  
4 modes of transport whose unit of transportation is not  
5 limited to single carloads.

6 Recommendation.

7 Canadian National recommends that Section 317  
8 of the Railway Act and Section 32(6) of the Transport  
9 Act be amended to enable quantity rates to be quoted  
10 both for tariff movements and for agreed charges.

11  
12 6. Joint Tariffs and Interchange of Freight  
13 for Rail-Highway Movement.

14 Sections 156(1) and 341, the Railway Act:

15 "156. (1). The directors of the  
16 company may, at any time, make and enter  
17 into any agreement or arrangement, not  
18 inconsistent with the provisions of this  
19 or the Special Act, with any other company,  
20 either in Canada or elsewhere, for the  
21 interchange of traffic between their rail-  
22 ways or vessels, and for the division  
23 and apportionment of tolls in respect  
24 of such traffic."

25 "341. (1) Where traffic is to pass  
26 over any continuous route in Canada operated  
27 by two or more companies, the several com-  
28 panies shall agree upon a joint tariff  
29 for such continuous route and the initial  
30 company or an agent duly authorized by







1  
2 power or attorney of such company, shall  
3 file such tariff with the Board and the  
4 other company or companies shall promptly  
5 notify the Board of its or their concurrence  
6 in such joint tariff.

7 (2) The names of the companies whose  
8 lines compose such continuous route shall  
9 be shown by such tariffs.

10 (3) If the company owns, charters,  
11 uses, maintains or works, or is a party to  
12 any arrangement for using, maintaining or  
13 working vessels for carrying traffic,  
14 by sea or inland water, between any places  
15 or ports in Canada, and if any such  
16 vessel carries traffic between a port in  
17 Canada reached by such company and a port  
18 in Canada reached by the railway of another  
19 company, the vessel and the railway of  
20 either company shall be deemed to constitute  
21 a continuous route in Canada within the  
22 meaning of this section."

23 The increasing pervasiveness of  
24 highway competition in Canada makes it imperative  
25 that railways should have the ability to make fully  
26 flexible arrangements with highway carriers for  
27 the interchange of freight. Moreover, it is in the  
28 interest of shippers that rail and highway carriers  
29 have the ability to interchange freight and to issue  
30 joint tariffs.





1  
2                   Section 156 (1) authorizes the interchange  
3 of traffic between railways and vessels and the di-  
4 vision of the resulting tolls. This subsection should  
5 be amended to include authorization for interchange  
6 between railways and highway carriers. Here is a  
7 clear instance where the legislation has not kept  
8 pace with modern transportation developments.

9                   Section 341 should be amended to allow a  
10 railway to make an agreement with a trucker for carriage  
11 over a continuous route by rail and truck, including  
12 the use of piggyback, containers, or specialized com-  
13 bination rail-highway vehicles, and divide the earnings  
14 of the through movement between them on whatever  
15 basis is agreed upon. The benefit from such a change  
16 would flow not only to the railways but to shippers  
17 and highway operators as well.

18                   The lack of authority to make such arrange-  
19 ments may hinder the development of piggyback  
20 operations and other coordinated highway-rail ser-  
21 vices which are contemplated for the future. It is  
22 in the public interest to facilitate and promote the  
23 integration of rail and highway services to the end  
24 that both carriers will be able to give the type of  
25 service that shippers are demanding.

26                   Recommendation.

27                   Canadian National recommends that Sections  
28 156(1) and 341 should be amended to allow agreements  
29 to be made between rail and highway carriers for the  
30







1  
2 establishment of continuous routes and arrangements by  
3 rail and road and to divide the earnings from such  
4 through movements between them.

5  
6 7. Rate Making Freedom

7 Section 328 (1), the Railway Act:

8 "The Board may disallow any tariff or  
9 any portion thereof that it considers to  
10 be unjust or unreasonable, or contrary to  
11 any of the provisions of this Act, and may  
12 require the company, within a prescribed  
13 time, to substitute a tariff satisfactory  
14 to the Board in lieu thereof, or may pre-  
15 scribe other tolls in lieu of the tolls so  
16 disallowed."

17 Section 334, the Railway Act:

18 "334. (1) The Board may provide that  
19 any competitive rate may be acted upon and  
20 put into operation immediately upon the  
21 issue thereof before it is filed with the  
22 Board, or allow any such rate to go into ef-  
23 fect as the Board shall appoint.

24 (2) The Board may require a company  
25 issuing a competitive rate tariff to fur-  
26 nish at the time of filing the tariff, or  
27 at any time, any information required by  
28 the Board to establish that

29 (a) the competition exists;

30 (b) the rates are compensatory; and





(c) the rates are not lower than

necessary to meet the competition;

and such information, if the Board in any case  
deems it practicable and desirable, shall  
include all or any of the following:

(i) the name of the competing carrier  
or carriers,

(ii) the route over which competing  
carriers operate,

(iii) the rates charged by the competing  
carriers, with proof of such rates  
as far as ascertainable,

(iv) the tonnage normally carried by the  
railway between the points of origin and  
destination,

(v) the estimated amount of tonnage that  
is diverted from the railway or that will  
be diverted if the rate is not made  
effective,

(vi) the extent to which the net revenue  
of the company will be improved by the  
proposed changes,

(vii) the revenue per ton-mile and per  
car-mile at the proposed rate and the  
corresponding averages of the company's  
system or region in which the traffic is  
to move, and

(viii) any other information required by  
the Board regarding the proposed movement."







1  
2                   Section 334 imposes needless restrictions  
3 upon the Board and the railways when the Board is in-  
4 vestigating competitive situations. Some of the  
5 information the Board is entitled to under this section  
6 is so difficult to obtain as to impose a serious  
7 inability upon the company to comply. Before the  
8 company quotes a competitive rate it must, firstly,  
9 satisfy itself that the competition exists and  
10 that the rates which it proposes are compensatory.  
11 In addition, it is in its own interests to ensure  
12 that the rates are not lower than necessary to meet  
13 the competition. The presence of these three  
14 requirements in the statute has not caused any  
15 extreme difficulty, nevertheless, it is considered  
16 that the additional detailed information which the  
17 Board may require should be eliminated, leaving to the  
18 Board the discretion as to the amount of detail it  
19 wishes to go into in any particular investigation.

20                   It would be most unfortunate for the rail-  
21 way's competitive position, as outlined in this sub-  
22 mission, if the Board is to remain circumscribed  
23 with statutory provisions which might require it to  
24 order a detailed analysis of each situation complained  
25 of. This could cause long delays and seriously  
26 hamper the railway's ability to compete. It would,  
27 however, be fully satisfactory and workable to have  
28 the Board empowered to make any investigation of  
29 competitive rates it desires but unfettered as to the  
30 nature and extent of the investigation it considers





1  
2 necessary in each case to discharge its duty to the  
3 public.

4  
5 Recommendation.

6 Canadian National recommends that, for  
7 reasons given in Chapter II of this submission, Section  
8 328 (1) be amended to give the railways freedom to  
9 set rates which must be compensatory and published  
10 for the information of all concerned, without any  
11 overriding power of disallowance being vested in the  
12 Board, except where a shipper can show that no  
13 practical means of transportation other than the rail-  
14 way is available to him.

15 Canadian National recommends that, for the  
16 reasons given in Chapter II of this submission, Section  
17 334 be amended to leave with the Board full power  
18 to investigate competitive rates to ensure they are  
19 compensatory and that competition exists and that it  
20 be left to the discretion of the Board as to the  
21 nature and extent of its investigation in each  
22 case free from statutory direction of any kind. This  
23 could be accomplished by deleting all after subsection  
24 2(c) and inserting

25 "and such further information as the  
26 Board may deem practicable and desirable."

27 8. The "One and One-Third Rule"

28 Section 337, the Railway Act:

29 "337. (1) In this section

30 (a) 'eastern territory' means any point







1  
2 on a line of railway east of Port Arthur,  
3 Ontario, or Armstrong, Ontario;

4 (b) 'western territory' means any point  
5 on a line of railway in British Columbia  
6 to which competitive transcontinental  
7 tolls apply;

8 (c) 'intermediate territory' means any  
9 point between eastern territory and  
10 western territory on any line of railway;  
11 and

12 (d) 'transcontinental freight traffic'  
13 means freight traffic

14 (i) having its origin in eastern  
15 territory and its destination in  
16 western territory, or

17 (ii) having its origin in western  
18 territory and its destination in  
19 eastern territory.

20 (2) Tariffs naming a competitive toll  
21 for any transcontinental freight traffic shall  
22 provide that

23 (a) the toll for freight traffic having  
24 its destination at a point in intermediate  
25 territory, and

26 (i) having its origin at the same  
27 point in eastern or western  
28 territory.

29 (ii) being of the same description,  
30 and





(iii) carried in the same direction and  
under the same conditions and  
arrangements as to weight and  
otherwise,

as the transcontinental freight traffic  
for which the competitive toll is named,  
shall not exceed by more than one-third  
the competitive toll so named to the  
point of destination in eastern or  
western territory, as the case may be,  
nearest to the point of destination in  
intermediate territory;

(b) the toll for freight traffic having  
its origin at a point in intermediate  
territory; and

(i) having its destination at the  
same point in eastern or western  
territory,

(ii) being of the same description,  
and

(iii) carried in the same direction  
and under the same conditions and  
arrangements as to weight and  
otherwise,

as the transcontinental freight traffic  
for which the competitive toll is  
named, shall not exceed by more than one-  
third the competitive toll so named  
between such point of destination and







1  
2 the point of origin in eastern or  
3 ~~western territory, as the case may~~  
4 be, nearest to the point of origin in  
5 intermediate territory."

6 Where the establishment of a competitive rate  
7 on traffic to and from the west coast would result in  
8 lowered earnings on traffic to intermediate points,  
9 the railways in many cases make use of agreed charges  
10 to protect their revenue position. In instances where  
11 an agreed charge cannot be made and where normal rate  
12 making procedures are used and it is found that the  
13 additional earnings to be secured on traffic to or  
14 from British Columbia will not compensate for the  
15 reduction in revenue on traffic to intermediate points  
16 due to the application of the one and one-third rule,  
17 the carriers forego the traffic altogether, with  
18 resultant loss of revenue and no benefit whatever to  
19 the interior receiver or shipper.

20 This section is clearly a further rigidity  
21 in the rate structure and removes managerial dis-  
22 cretion in a certain area at a time when the rapid  
23 growth and expansion of competition demands increased  
24 flexibility in meeting such competition.

25 Recommendation.

26 Canadian National recommends that Section 337  
27 of the Railway Act be repealed.  
28

29 9. Free Transportation

30 Free transportation issued for railway travel





1  
2 is divided into two main groups:

3 (1) That issued by virtue of the permissive  
4 provisions of General Order 656 issued by  
5 the Board of Transport Commissioners for  
6 Canada pursuant to Section 350 of the  
7 Railway Act.

8 (2) That which is mandatory under Section 351  
9 of the Railway Act and certain other statutes  
10 requiring railways to provide transportation  
11 for members of the Senate and House of  
12 Commons, Board of Transport Commissioners,  
13 Board of Grain Commissioners, Department of  
14 National Revenue, Post Office, and Department  
15 of Immigration and Colonization upon pre-  
16 sentation of a certificate to that effect.

17 Section 351, the Railway Act:

18 "Members of the Senate and House of  
19 Commons of Canada, with their baggage, and  
20 members of the Board and such officers  
21 and staff of the Board as the Board may  
22 determine with their baggage and equipment,  
23 are on production of cards, certifying their  
24 membership or right, which shall be furnished  
25 them by the Clerk of the Senate or the Clerk  
26 of the House of Commons or the Secretary of  
27 the Board, as the case may be, entitled to  
28 free transportation on any of the trains  
29 of the company; and the company shall  
30 also, when required, haul free of charge







1  
2 any car provided for the use of the Board."

3 In 1959 Canadian National discontinued  
4 the issuance of passes to its employees for regular  
5 travel between home and work on its commuter trains.  
6 Since that time its own employees have paid half fare  
7 on these trains. Effective January 1, 1961, Canadian  
8 National intends to discontinue the issuance of free  
9 transportation to many of the categories of  
10 persons now entitled to receive this privilege under  
11 General Order 656 of the Board of Transport Commis-  
12 sioners.

13  
14 Recommendation.

15 Canadian National recommends, in view of  
16 the deficit in passenger train operations, that Section  
17 351 of the Railway Act be repealed or that it be  
18 amended to provide that members of the Senate and House  
19 of Commons and of the Board shall be entitled to trans-  
20 portation upon presentation of a warrant in the same  
21 manner as is presently provided for members of the  
22 Armed Forces in Canada, and for Members of the House  
23 of Representatives and Senate in the United States and  
24 for Members of Parliament in the United Kingdom.  
25 In such a way the service would be available as it  
26 is at present and the railway would be reimbursed for the  
27 services performed. A similar amendment should be  
28 made in the statutes relating to the Board of Grain  
29 Commissioners, Department of National Revenue, Post  
30 Office Department, Department of Immigration and





Colonization and any other statute directing the railways to provide free service for government officers. Those officers who are required to perform their official government duties upon trains should of course continue to be provided with free transportation.

10. Use of Canadian Ports for Export Traffic.

Section 21, C.N.R. Act (Statutes of Canada 1952, Ch. 29):

"21. The Board of Directors shall so direct, provide and procure that all freight destined for export by sea that is consigned within Canada for carriage to National Railways either at point of origin or between that and the sea shall, unless it has been by its shippers specifically routed otherwise, be exported through Canadian seaports."

This section provides that Canadian National shall ensure that export traffic consigned over its lines shall be exported through Canadian ports in cases when it controls the routing.

Earlier statutes directed The Grand Trunk Pacific Railway Company (Edw. VII, 1903, Ch. 71, p. 42); The Canadian Northern Ontario Railway (1-2 Geo. V, 1911; Ch. 6; S.13) and Canadian Northern Railway System (4-5 Geo. V. 1914, Ch. 20; 3rd Schedule, S.6 (a) to take the same action and to ensure that the rates for such traffic were no greater via Canadian ports than via







1  
2 United States ports.

3           The main contribution which Canadian National  
4 makes to this expression of national policy is to  
5 handle traffic moving to the eastern seaboard through  
6 the ports of Saint John and Halifax which calls for a  
7 haul of 300 to 475 miles over and above the distance  
8 between points in western and central Canada and  
9 Portland, Maine. Compliance with the intent of  
10 this legislation and the interest of Canadian shippers  
11 routing via Halifax and Saint John compels Canadian  
12 National to publish export and import rates via these  
13 ports on a par with the rates to and from Portland.  
14 Therefore, the extra cost of handling traffic via  
15 Canadian Atlantic ports cannot be made up through in-  
16 creased charges.

17           In 1957 the traffic moving over Canadian  
18 National lines through these Canadian Atlantic ports  
19 was 1,049,000 tons. The additional work done to handle  
20 it in the manner directed by the statute rather than  
21 via Portland, Maine, resulted in additional operating  
22 expenses exceeding 23½ million.

23           This element of national policy, which  
24 directs Canadian National to favour Canadian Atlantic  
25 ports, has an adverse effect upon its annual financial  
26 results amounting to several million dollars a year.  
27 The burden is the more onerous upon Canadian National in  
28 that it is directed to favour routings over circuitous  
29 lines without regard to its own short mileage route to  
30 Portland and to its inability to assess rates over the





1  
2 competitive level set by rates to Portland or Boston.

3  
4 Recommendation.

5 Canadian National recommends that neither  
6 Canadian legislation nor policy should impose any  
7 special requirement or obligation upon a particular  
8 railway or company. If it is in the national interest  
9 that special arrangements be made for handling traffic  
10 or other matters, the obligations arising therefrom  
11 should be placed upon all carriers rather than a par-  
12 ticular one and the costs involved, if any, be  
13 borne by Canada as a whole.

14 If it is to be a continuing requirement of  
15 national policy that routing preference be given to  
16 the Canadian Atlantic ports, it is submitted that  
17 the extent of the additional cost of this routing be  
18 calculated annually and paid to the railway concerned  
19 -- in the present case, Canadian National. To  
20 achieve this, Section 21 of Canadian National Railways  
21 Act should be amended.

22 B. The Need for a General Revision  
23 of Railway Legislation.

24 Railway legislation in Canada dates back to  
25 1832. The first "Railway Act" was passed in 1888.  
26 It was revised and amended in 1906 and 1919 but since  
27 that time, while there have been many amendments and  
28 additions made, no general review of it has been under-  
29 taken. The Maritime Freight Rates Act was passed in  
30 1927, the Canadian National-Canadian Pacific Act in







1  
2 1933, and The Transport Act in 1938. The latest con-  
3 solidation of these statutes is that of 1952, when all  
4 the statutes of Canada were consolidated again but no  
5 action was taken at that time to review or revise  
6 railway legislation in any detailed way.

7 It is realized that this is not a task for  
8 this Commission. We propose to point out various  
9 areas of the legislation which support our view, that  
10 it is time a comprehensive review of all railway legis-  
11 lation should be made. Canadian National submits  
12 your Commission should recommend to the Government  
13 of Canada that such a review be undertaken.

14 Under Section 251, dealing with construction  
15 of works in navigable waters, difficulties have  
16 arisen where works have been constructed in the belief  
17 the water was non-navigable but later ruled otherwise.  
18 Here an amendment is needed similar to the provision  
19 contained in the 1959 National Energy Board Act,  
20 Sec. 76 (6), which allows for granting leave after  
21 construction has commenced.

22 While close supervision over all aspects of  
23 public safety should be maintained by the Board the  
24 detail of its regulatory power in this regard as set  
25 out in Section 290 and following sections is unneces-  
26 sary and restrictive of responsible management. By  
27 Section 290 the Board may regulate train speeds, use  
28 of whistles, method of passing from one car to another,  
29 coupling of cars, length of sections required for  
30 repair gangs, the number of men employed on such





1  
2 sections and the kinds of fuel to be used. The  
3 details of the requirements imposed on railways for  
4 the equipping of their cars are set out in Section 301  
5 The Board even determines the height of draw bars and  
6 whether what the railway provides is sufficient.  
7 Section 303 regulates the location of oil cups to  
8 ensure that no one has to go outside on a locomotive  
9 to oil them while the train is in motion. Section 304  
10 requires the locomotive bell to weight at least thirty  
11 pounds. Section 306 requires a blackboard to be put  
12 up outside every station in order to write the train  
13 arrival times "with white chalk". Section 359  
14 says every passenger who refuses to pay his fare may  
15 be put off the train "but the conductor shall first  
16 stop the train and use no unnecessary force."

17 Section 312 has two speed restrictions, ten  
18 miles per hour at certain crossings in built up areas  
19 and twenty-five miles per hour at a crossing where an  
20 accident has occurred. The ten miles per hour restric-  
21 tion is of ancient vintage and should be brought  
22 up to the more modern limit of at least twenty-five  
23 miles per hour.

24 In addition the section speaks of the track  
25 in a thickly peopled portion of a city being fenced.  
26 Section 277 makes it quite clear that the original  
27 purpose of fencing was to prevent entry of domestic  
28 animals. As it must indeed be a rare case where such  
29 animals are found within urban areas today, reference  
30 to fencing in this section could well be eliminated.







1  
2 Sections 365 to 368 deal with express traffic  
3 and tolls. With the change contemplated by Canadian  
4 National of merging its express and l.c.l. freight  
5 services into a new package service called "Merchan-  
6 dise Services" these sections will require review as  
7 to their adequacy for this new medium.

8 The competitive nature of today's search  
9 for more freight traffic makes it necessary for the  
10 machinery of publishing changes in rates or tariffs  
11 to be expeditious. Sections 325 to 346 inclusive  
12 of the Railway Act contain the code for dealing with  
13 classification and tariff changes. The procedures  
14 are cumbersome and time consuming. In many cases  
15 they offer obstacles to procurement of traffic  
16 in competition with truckers or steamships who usually  
17 have little or no regulation or red tape to contend  
18 with. An example is the detail in Section 325  
19 requiring publication in the "Canada Gazette" of  
20 changes in classification.

21 Sections 326 to 330 empower the company to  
22 make bylaws authorizing the issuance of tariffs of  
23 tolls, all of which require approval of the Board, and  
24 provide that no tolls may be charged without such bylaws  
25 and approval. The form and size of the bylaws and  
26 tariffs is specified and the Board given full power  
27 of disallowance. In today's competitive economy  
28 consideration should be given to restricting these  
29 detailed requirements to other than competitive rates.

30 The Passenger Ticket Act, R.S.C. 1952 Ch. 202,





1  
2 provides for the appointment of agents to sell passenger  
3 tickets and says that every ticket shall have the agent's  
4 name on it and that the agent shall be given a certifi-  
5 cate under seal of the appointment which he shall keep  
6 framed in a conspicuous place in his office. In  
7 practice, no such certificates are issued and the agent's  
8 name does not appear on the tickets but for many years  
9 the railways have put the facsimile signature of the  
10 Chief Passenger Traffic officer of the railway on each  
11 ticket.

12 The basic reason justifying a review of this  
13 legislation today is the dramatic change that has taken  
14 place in the competitive situation in transportation in  
15 Canada. Each mode of service has a full right to  
16 exist and prosper in its economic sphere but the regula-  
17 tions and rules it works under should be realistic and  
18 simple and adapted to present day conditions.

19 Recommendation.

20 Canadian National submits that this Commis-  
21 sion should recommend that a thorough review and  
22 revision of all railway legislation be undertaken by  
23 some competent authority to be named by the Government  
24 of Canada. It is further submitted that the guiding  
25 principle in such a review should be that restrictions  
26 be the exception rather than the rule, and in par-  
27 ticular they should not apply to competitive rates  
28 except in very extraordinary circumstances.  
29  
30







CHAPTER VII

OTHER MATTERS

A. Road - Rail Integration.

Canadian National is making strenuous efforts to meet the problem of erosion of its share of the transportation market. In addition to examining pricing techniques, it is convinced of the necessity of effecting a close integration of road and rail operations. Considerable progress has already been made in this regard. The Company's aim is to offer the kind of transportation service that is best suited to public demand, both in terms of cost and efficiency, always remembering that its basic interest is the provision of service through railway facilities, in which Canadian National has a very large capital investment.

The major interest of the railway is the long distance haulage of bulk and packaged commodities. Generally speaking, this can be done most economically by railway but certainly there exists and will remain a large field for long haul road transport. In addition road transport is a better agency for the collection and distribution of much traffic and is more economical and faster for short-distance service. This statement is, of course, a generalization. It is not possible in every instance to draw a hard and fast line, since the character and conditions of the traffic itself provide infinite variation in which one





1  
2 method of transportation may have an advantage over the  
3 other, or in which combinations of both methods may be  
4 the most efficient answer. Canadian National plans  
5 to use both its rail and road services for long haul  
6 traffic as circumstances dictate and at the same time  
7 closely integrate them for both long and short haul  
8 carriage when that type of service is what a customer  
9 requires.

10 Canadian National does not regard competition  
11 between the railway and private truckers as a fight for  
12 survival. Canadian National is not in any way inter-  
13 ested in driving the independent trucker out of  
14 business. Both the railway and the truck are tools  
15 of transportation and in the best interests of the  
16 shippers and receivers -- the users of the service --  
17 each tool should be used as it is best suited. What  
18 is needed, therefore, is an intelligent recognition  
19 of a competitive co-existence and the development  
20 of a coordinated rail-highway system in which each  
21 form of transportation would play the role which it  
22 best fits.

23 To further this concept, CanadianNational  
24 decided to supplement its railway services with  
25 collateral trucking facilities wherever close coopera-  
26 tion or integration of operations would effectively  
27 improve its services and, therefore, its competitive  
28 position. In implementing that policy, Canadian  
29 National is proceeding cautiously and, as a general  
30 rule, is endeavouring to enlarge its trucking







1  
2 facilities through a very selective purchase of  
3 existing highway operators. In this way, it is not  
4 adding suddenly to the total transportation facilities  
5 of the country since that would likely produce an un-  
6 desirable surplus and lead to a period of uneconomic  
7 competition by the weaker operators striving to main-  
8 tain their position. Canadian National's objective  
9 is to acquire a trucking pattern so as to obtain for  
10 its own operations the benefits of coordination with  
11 railway facilities or even replacement of them in those  
12 cases in which the truck is the better tool.

13 As the pattern of railway trucking operations  
14 in coordination with railway facilities becomes estab-  
15 lished and recognized, Canadian National is convinced  
16 that it will bring into being a very desirable stabiliza-  
17 tion of the transportation industry in Canada and the  
18 elimination of a number of uneconomic practices.  
19 During the coming year Canadian National hopes to estab-  
20 lish a pattern of collateral trucking service that will  
21 give its patrons across Canada the benefits in service  
22 and cost that an intelligent coordination with the rail-  
23 way should provide.

24  
25 B. Canadian National-Canadian Pacific Act.

26 This legislation was enacted at the depth  
27 of the depression in the early nineteen-thirties. It  
28 is Canadian National's view that it has served its pur-  
29 pose in that the railways were able to enter into certain  
30 pooling agreements and other arrangements at that time





1  
2 which enabled them to make substantial savings.

3           Since 1950 the railways have found that they  
4 can effect substantial economies by acting independently  
5 or in cooperation with each other without proceeding  
6 under this legislation. A good example of such cooperation  
7 is the joint committee recently established by Canadian  
8 Pacific and Canadian National to review all facets of  
9 passenger train services.

10           The establishment of such a committee is a  
11 recognition of the developments of recent years which  
12 make it evident that the public is not prepared to  
13 support all the existing passenger services provided  
14 by both companies. An attempt will be made to eliminate  
15 unnecessary competitive services wherever possible. Both  
16 railways are opposed to further pooling of passenger trains  
17 on the pattern now operated, but are hopeful that  
18 agreement can be reached in respect of area withdrawals  
19 so that the railway which is naturally dominant will  
20 have responsibility for necessary services.

21           Recommendation.

22           Canadian National suggests that the Canadian  
23 National-Canadian Pacific Act should not be repealed  
24 or amended, except with respect to Section 2(3) referred  
25 to on page 63, but that it should be left as it is for  
26 use in the future as may be required.

27  
28           C.           Administration of Subsidies

29           At the present time Canadian National receives  
30 reimbursement from the Canadian Government under seven







different subsidy arrangements:

- 1 Freight Rates Reduction Act
- 2 Maritime Freight Rates Act
- 3 East-West Bridge Subsidy
- 4 North Sydney - Port Aux Basques Gulf Service
- 5 North Sydney - Island Ports Service
- 6 Prince Edward Island Car Ferry Service
- 7 Newfoundland Coastal Service.

These subsidies are paid by the Government in relief of freight shippers or users of marine services which are not self-supporting. They do not constitute additional revenue to the railway for work performed.

On the contrary, they are purely a device by which part payment is made to the railway for such services, with the other portion being paid directly to the railway by the shipper or user in the normal way. The result is, that while Canadian National did not choose this method of reimbursement for its services the administration of these subsidies imposes two substantial burdens upon it.

The method of claiming reimbursement under the various subsidies is not the same in each case. Under the first three, reimbursement is made on the basis of actual amounts by which the railway has reduced charges to shippers. Recovery under the Freight Rates Reduction Act is based on actual figures and no claim for reimbursement can be made until such figures are available. The Maritime Freight Rates Act payments





1  
2 are received on the basis of monthly estimates, sup-  
3 ported by a certificate countersigned by the Government  
4 auditors. Subsequently, the actual amount due is  
5 determined by a waybill analysis and an adjustment  
6 is made and approved by these auditors. In the case  
7 of the East-West Bridge Subsidy, the amount is cal-  
8 culated from the waybills covering such traffic and  
9 audited after the bill is submitted. For the Gulf  
10 Service and the Island Ports Service, payments are  
11 based upon estimates with an adjustment made and  
12 certified by Government auditors when actual revenue  
13 figures are available. In the case of the Newfound-  
14 land Coastal Service, an annual agreement is made  
15 which specifies the maximum amount of the subsidy  
16 and monthly amounts are drawn against it with  
17 reconciliation made to actual figures in the month  
18 of December.

19 In all cases the preparation of actual  
20 figures takes some time. Therefore, collection of  
21 subsidy payments on that basis is always slower than  
22 on an estimated basis. It has been calculated that  
23 the cost to Canadian National of financing the time  
24 lag of from two to three months required to obtain  
25 reimbursement for reductions in rates or payments made  
26 under these subsidies is of the order of \$250,000  
27 per year.

28 In addition to the cost of financing the  
29 time lag before reimbursement, the task of determining  
30 the amounts recoverable under the various subsidies









1  
2 results in work being performed which would not otherwise  
3 be necessary. An estimate has been made of the  
4 expense which could be eliminated if these subsidies  
5 did not exist. It shows that making no allowance for  
6 supervision or for the floor space occupied by per-  
7 sonnel and machines, this administrative work costs  
8 the company at least \$60,000 per year. In addition,  
9 there is substantial cost occasioned to the Sales  
10 Department for the expense of tariff publication and  
11 allied matters.

12  
13 Recommendation.

14 Canadian National recommends that:

- 15 (a) All subsidies paid to companies in relief  
16 of shippers or other users of transportation  
17 service should be recoverable on an estimated  
18 basis with suitable adjustment to actual  
19 figures being made at regular intervals.  
20 The estimated bill should be rendered  
21 not later than the end of the month  
22 in which the service is performed and re-  
23 imbursement received by the company no  
24 later than the end of the following  
25 month;
- 26 (b) The administrative costs incurred by any  
27 company which would not be necessary except  
28 for the existence of a subsidy should be  
29 reimbursed to such company upon presentation  
30 of periodic accounts therefor and charged





to the fund from which the subsidy  
is paid.

All of which is respectfully  
submitted.

- EXHIBIT NO. 177: Statement No. 1: Summary of  
Line Abandonment 1923 to 1959
- EXHIBIT NO. 178: Canadian Population and Rail  
Passenger Handlings 1871 to 1958
- EXHIBIT NO. 179: Canadian National System,  
Passenger Handlings 1940 to 1959
- EXHIBIT NO. 180: Reductions and Increases in  
Passenger Grain Service, by  
provinces, from 1954 to  
1959 inclusive
- EXHIBIT NO. 181: Passenger Train Service,  
Rail Diesel Car Substitutions  
(1954-1959)
- EXHIBIT NO. 182: Passenger Train Revenues and  
Expenses, 1959 (Exclusive  
of Commuter Train Operations)







1  
2 MR. McDONALD: Mr. Hart is now ready for  
3 cross-examination.

4  
5 CROSS-EXAMINATION BY MR. COOPER:

6 Q. Mr. Hart, I direct your attention,  
7 first, to the introduction part of the submission of  
8 the Canadian National Railways contained in Chapter I,  
9 and particularly to the second paragraph of the first  
10 page, and particularly to the words:

11 "Since the Turgeon Royal Commission on  
12 transportation made its report in 1951,  
13 one of the factors affecting rail  
14 transportation in Canada has been the great  
15 increase in the size of the trucking industry  
16 and the pervasiveness of that form of  
17 competition"

18 Would you agree that in fact this question  
19 of competition from the trucking industry is the most  
20 important problem facing the railways in Canada today  
21 and in particular the Canadian National Railways?

22 A. I think that is certainly so, Mr.  
23 Cooper, as far as the revenue side of our business is  
24 concerned. There is little doubt about that. The  
25 trucking competition has become all pervasive during  
26 that period, or almost all pervasive.

27 The question of whether it is the most  
28 important -- when you look at the company's activities  
29 as a whole on the expense side there has been very  
30 serious matters come to the attention of the company,





1  
2 too, but revenue-wise I would agree with that.

3 Q. I take it that if revenues can be  
4 increased that will have a very important effect on  
5 the other side of the balance sheet?

6 A. It certainly will.

7 Q. On page 5 of your submission at the  
8 top of the page you say that the railway rate structure  
9 is presently in a state of transition from its original  
10 rigidity to a more flexible state due to a combination  
11 of carrier competition, commodity market conditions,  
12 and governmental action.

13 I am not quite clear on the expression  
14 commodity market conditions", and I wondered if you  
15 would be kind enough to enlarge on that expression, or  
16 phrase?

17 A. Well, really what is intended there, Mr.  
18 Cooper, is a description of how much more complex the  
19 Canadian economy has become over the last, well, say,  
20 since the war -- just to seize a date. The growth of  
21 Canada during that period and the spread-out of the  
22 Canadian economy -- that is, the development of the  
23 west and parts of the west, particularly industrially,  
24 the development and discovery of oil in the west, and  
25 indeed perhaps more activity in smaller industries  
26 being scattered from one end of the country, from the  
27 Maritimes to the other, means that instead of being  
28 -- before this complex arose -- being able to direct  
29 our attention from a competitive point of view, at  
30 least, to a perhaps a relatively narrow geographical







1  
2 area, we now are faced with the geographical area only  
3 defined by the two oceans.

4 Q. You might indicate generally what  
5 particular problems this increase in economic complex,  
6 if I may call it that, of Canada has created?

7 A. Well, it broadens -- it is perhaps not  
8 developing any new problems, Mr. Cooper. It broadens  
9 the necessity for our activities, if I may put it that  
10 way, in that, as I said earlier, the question of, well,  
11 acute competition -- to discuss highway competition, only  
12 as an example, 25 years ago highway competition was  
13 relatively restricted in a geographical area. It  
14 certainly is far from that now. It means that our rate  
15 people have new problems arising; the problems brought  
16 about by new industries developing in new parts of the  
17 country. It Accentuates the degree of control, brought  
18 about -- after all, in any rate structure there was  
19 always an attempt to keep it cohesive and logical, and  
20 with the spread of this industrial complex it just made  
21 our difficulties that much more. It is perhaps a matter  
22 of quantity rather than quality.

23 Q. A matter of quality, perhaps, that those  
24 new industries being serviced in many instances are  
25 tending towards service by road transport rather than  
26 by rail?

27 A. Yes, yes.

28 Q. On page 6 in the last paragraph, these  
29 words occur:

30 "It would have been unrealistic to attempt





1  
2 under monopoly conditions to switch from  
3 the principle of value of service to that  
4 of cost of service using as a criterion the  
5 total cost of each particular movement.

6 Now, I am particularly interested in your  
7 phrase "under monopoly conditions", and I should like  
8 you to inform the Commission as to whether in your  
9 opinion monopoly conditions still prevail to any  
10 extent and, if so, to what extent, in the freight  
11 rate structure?

12 A. No, I do not think that there is much  
13 monopoly in the sense that the word is used there  
14 left in the Canadian economy today, Mr. Cooper. If  
15 I may define, really, what was intended there by the  
16 words "monopoly conditions" it was the monopoly brought  
17 about by the very fact that there were not other means  
18 -- other means had not been developed of inland  
19 transportation. So that, effectively, the railways  
20 had a monopoly in every sense of the word in the  
21 running of their business.

22 Now, there are still some areas, if I can  
23 sort of become an economist or pretend that I am,  
24 there are still some areas and some conditions in  
25 which you might say there is a functional monopoly  
26 still existing in Canada.

27 By that I mean the fact that the very  
28 cost structure of the railroad perhaps means that  
29 certain business, if it is to move at all, must move  
30 by railway. So, in that sense a functional monopoly,







1  
2 there is still monopoly in Canada, but that is not  
3 the sense used here at all.

4 Q. I do not know that I quite understand,  
5 then, in what sense you use the expression here?

6 A. Perhaps if I can expand the statement.

7 Q. Yes?

8 A. What is meant by the statement is that,  
9 say, just once again to seek a date, before the first  
10 World War when there was no trucking business at all,  
11 no pipelines, actually the only competition, perhaps,  
12 the railroads had at that time was horse and buggy, so  
13 to speak, or horse and wagon.

14 Well, as a mass carrier there was actually  
15 a monopoly in every sense of the word to the railroads  
16 at that time.

17 Q. Well, a monopoly in those days was all  
18 pervasive?

19 A. Yes, exactly.

20 Q. Now, what I want to find out is if in  
21 your opinion today competition is all pervasive so  
22 that there is no monopoly field at all left to the  
23 railways?

24 A. Yes, as long as you accept my one  
25 qualification -- that one qualification of functional  
26 monopoly -- I would say yes that the competition is,  
27 to the best of my knowledge, all-pervasive. Whether  
28 it is carrier, market or substitutional, there is  
29 some type of competition in all of our business in  
30 varying degrees today.





1  
2 Q. We have heard a great deal about  
3 captive traffic and non-captive traffic, "and what I  
4 was endeavouring to elicit for the information of the  
5 Commission is whether or not you consider that a  
6 distinction between captive traffic and non-captive  
7 traffic is a valid distinction, using that term "captive  
8 traffic" in the sense, really, of the railways having  
9 a monopoly over a certain segment of traffic, because  
10 of there being no reasonable competition or no  
11 reasonable alternative means of moving that traffic?  
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1  
2           A.    Well, there is traffic, without doubt,  
3 that because of the costability and the ability of the  
4 railways to carry the traffic over great distances and  
5 in large quantities, yes, there is captive traffic.  
6 To put it another way, there is traffic that the rail-  
7 roads can stop moving if it puts its prices too high.  
8 No other method has been developed that can substitute  
9 at the price level needed by that type of industry.  
10 I am thinking primarily of the large extractive indus-  
11 tries. I think, as far as talking about captive and  
12 non-captive traffic, that sometimes we fall on words.  
13 Certainly when I am talking about captive traffic I  
14 am talking about the type of traffic which there is  
15 no reasonable alternative for, taking into consideration  
16 market conditions, cost structures and the varying forms  
17 and things of that sort. I think a distinction can  
18 be made between captive and non-captive which, perhaps,  
19 is not very much different, I am not certain it is  
20 any different between competitive and non-competitive.

21           THE CHAIRMAN: Are you using functional  
22 monopoly as another meaning to captive?

23           THE WITNESS: Yes, it would be in the same  
24 sense that I have used it today.

25           MR. COOPER: Q. In the same excerpt that I  
26 read I call your attention to what you say there as it  
27 having been unrealistic to attempt, under monopoly  
28 conditions, to switch from the principle of value of  
29 service to that of cost of service using as a criterion  
30 the total cost of each particular movement. Now,





1  
2 under the present-day conditions when all we have left  
3 is what you have referred to as this functional monopoly  
4 operating in a relatively small area I would think all  
5 the freight rate structure -- I would take it it would  
6 now be realistic to switch from the principle of value  
7 of service to that of cost of service?

8 A. No, I cannot agree with you. When we  
9 are talking about cost here as total cost, what is said  
10 here is that under the cost of service principle you  
11 are really talking about variable plus a share of  
12 cost plus a profit. Perhaps not today and perhaps at  
13 no time will it be possible, in my opinion at least,  
14 to come to removing totally the idea of cost of estab-  
15 lishing your rate on variable cost plus a profit and  
16 perhaps weighing the value of service principle, not  
17 to the point that you maximize within your traffic, that  
18 is not able to pay varying cost, though you at least  
19 get variable cost and the largest contribution due  
20 and which tends to ease the burden of other traffics.

21 Q. I am sorry, I did not mean to imply,  
22 although the words would seem to indicate that, that  
23 when I was speaking of switching to cost of service I  
24 meant to imply that cost of service in the context was  
25 monopoly cost, I was thinking if varying costs when I  
26 put my question.

27 A. Certainly all I wanted to clarify was  
28 that in here the distinction we are making is based  
29 on our concept of total costs. To come closer to  
30 your question, variable cost certainly always is one of







1  
2 the things that must be considered and not only con-  
3 sidered but is a yardstick, is a thing that is totally  
4 necessary to be known in all movements or any movements  
5 that you are getting reasonably close to the floor.  
6 Now, my only fear to agreeing with your question would  
7 be that at least under our present understanding of  
8 the art we would get to the point where you would  
9 take variable cost plus a fixed markup. I would  
10 hesitate to agree with this. What you mean, I think,  
11 variable cost plus whatever market and speaking in  
12 this context in the competitive area that variable  
13 cost plus what markup can be negotiated is the way  
14 to maximize our earnings in this competitive field.

15 Q. Well, then, it would now be realistic  
16 to switch from the principle of value of service to  
17 that of cost of service?

18 A. I think that there has been a good deal  
19 of talk about incentive rates and maybe our whole  
20 effort is built around the principle of competitive  
21 traffic and competitive traffic in a highly competitive  
22 industry indeed. We are in the position where we  
23 must make our costs and get as big a markup as we  
24 can, a markup over our costs and you find a distinction  
25 between a lot of areas forms the transportation  
26 competition you are meeting.

27 THE CHAIRMAN: You say a markup must be  
28 variable too?

29 THE WITNESS: Yes, very definitely. I  
30 think otherwise we lose the ability to run our own





1  
2 business as a business. The markup is really the  
3 maximum that controls the cost of pricing in industry  
4 and I am a believer in the mark up to proper cost or  
5 rate as in this case.

6 MR. COOPER: Q. Your answers have been  
7 directed to the competitive field, of course?

8 A. Yes.

9 Q. In the non-competitive field ---

10 A. In the non-competitive field value of  
11 service still maintains and if I might jump back to make  
12 certain I put across my point. In your value of  
13 service there is still the important matter of com-  
14 petition in a community. In our present structure  
15 I think there is little doubt that value of service  
16 must continue to play a part in competitive and non-  
17 competitive areas.

18 Q. I asked you the last question to make  
19 sure whether you were attaching any importance to value  
20 of service not only in the non-competitive field but in the com-  
21 petitive field.

22 A. Oh, very definitely that is your area  
23 of negotiation and when you say that, all you are  
24 really saying is that you are working to arrive at  
25 what your profit is.

26 Q. On page 7 you describe competitive  
27 pricing and carry on with a description of competitive  
28 pricing. Over on page 9 you describe competitive  
29 pricing as a third rate making principle and you say  
30 too, it has been introduced, as I understand it, it is







1  
2 not really any new concept but is merely the system  
3 of pricing which the railways, you feel, must adopt  
4 now and which involves far less emphasis on value of  
5 service and far greater emphasis on cost of service.  
6 Is that right?

7 A. It puts some emphasis on cost of ser-  
8 vice, yes. Value of service enters in from the  
9 problem of what you can get above your costs. Com-  
10 petitive pricing really is a cost oriented system and  
11 as you say there is nothing really new about it. Really  
12 what we are saying is, we must emphasize that it, that  
13 this must be the area of our major attack in an attempt  
14 to regain our position in the market and to raise our  
15 percentage of the market.

16 Q. All right. Then, on page 7, the last  
17 paragraph you say:

18 "Such traffic lost due to a continuing  
19 though declining emphasis on value of  
20 service should be regained if service  
21 were priced at competitive levels. "

22 Now, does that envisage that rates must be reduced  
23 in the area where value of service has been a pre-  
24 dominant factor in rate making so in fact there will  
25 be voluntary reduction of rates on the part of the  
26 railways in certain areas in order to stimulate  
27 traffic,

28 A. Very much so plus the incentive rates  
29 that we have heard so much about to-day, plus the  
30 general decrease of rates put in by the Canadian





1  
2 railways to stimulate traffic, to raise the net by  
3 getting a larger gross. That is the whole idea of  
4 it. The incentive rates both in eastern and western  
5 Canada are very good examples of competitive pricing.

6 Q. You would expect that tendency, of  
7 course, to continue?

8 A. Oh, very much so. We must have more  
9 and more emphasis on this and I am aware there are  
10 studies going on right now towards broadening the  
11 incentive rate both in eastern and western Canada and  
12 also between eastern and western Canada.

13 I must assume that at the moment the larger  
14 emphasis is going on in the "within" rather than the  
15 "between" but this is a matter of broadening it and  
16 moving as quickly as we can to become competitive in  
17 all areas at all distances.

18 Q. At page 9 you refer to construction of  
19 highways, improvement of old ones, improvement of  
20 highways, and so on and indicating that the railway  
21 industry will be undergoing yet some vigorous com-  
22 petition in its solicitation of traffic. Now, I just  
23 want to get your views, Mr. Hart, for the benefit of  
24 the Commission on the effect in the air in the fore-  
25 seeable future. That is, to put it shortly, what  
26 will be the effect of that group of air cargo on long  
27 haul rail merchandise traffic?

28 A. I feel it will be insignificant in the  
29 terms of, as we understand the amount of traffic that  
30 we carry. My own feeling is that the impact of air







1  
2 will perhaps hit harder at the highway carriers than  
3 much harder on the highway carriers than it does at  
4 the railroad level and, perhaps, to some degree at  
5 the express service operated by the railroad. As far  
6 as freight is concerned the cost characteristics of  
7 air, as I understand them, and this is only as I under-  
8 stand them in the foreseeable future will they be able  
9 to get their costs to a level where they will make any  
10 significant impact on the general merchandise traffic  
11 of the railroad, or, any at all, except perhaps the  
12 express traffic.

13 THE CHAIRMAN: You are talking of volume?

14 THE WITNESS: Yes. It is really a matter  
15 of the cost characteristics of the two mediums, the  
16 costs within the foreseeable future. One should be  
17 careful to prophesy anything in the air but certainly  
18 their cost would seem to be there. Any report I  
19 have seen on the business they seem to run from --  
20 get very wide limits, but they seem to run between 10  
21 cents and 15 cents per ton mile. Now, you need to  
22 have high value articles which need extremely fast  
23 service to be attracted by that type of medium. I  
24 suspect that the market for that type of medium is  
25 small when you look at it from the point of view of  
26 the railroad but I still think they have a tremendous  
27 future as carriers in this very specialized field.

28 MR. COOPER: Q. Also on page 9 in the  
29 last complete paragraph you say:

30 "Future rate action will call for much





1  
2 more to be known about traffic conditions,  
3 relative carrier costs and service ad-  
4 vantages ---"

5 What is now being done in this field and what is planned  
6 for the future?

7 A. Well, I have a statement here, Mr.  
8 Cooper, that we prepared in the thought that the  
9 Commission might be interested in what we are doing.  
10 We have done a great deal, I think, in the planning  
11 stage and have implemented this to some degree. A  
12 rather well known man around this Commission headed  
13 up the freight side of our work, Mr. John Gardiner.  
14 We have a division of our freight group known as  
15 Freight Sales Development which really is our marketing  
16 group. I use "marketing" in the broadest sense of  
17 basically obtaining and understanding the market and  
18 an understanding of our customers and an understanding  
19 of the competition that we have to meet so that we  
20 can tailor our service best to meet the requirements  
21 of our customers and at the same time remain highly  
22 competitive. Now, there are really three things  
23 that this group will do, and if I may I will read  
24 this.

25 THE CHAIRMAN: Before you read it, I take it  
26 that your company regards the pricing policy as a major  
27 area of reform for submission to this committee?

28 THE WITNESS: I think pricing reform is a  
29 very important thing. I think there are other things  
30 mentioned by us in our brief also and they must all be







1  
2 taken as a package.

3 THE CHAIRMAN: But you think pricing is  
4 important?

5 THE WITNESS: Yes, as long as other things  
6 are done. We must be able to tailor our plan in a  
7 different way to reduce certain services or, as we  
8 go on later to the question of obtaining subsidies  
9 for the public interest calls for us to operate on our  
10 plan, keep profit down and our expenses can be broaden-  
11 ed. But, once again, if I can make the distinction  
12 between expense and revenue ---

13 THE CHAIRMAN: It is all tied to the price?

14 THE WITNESS: It all comes into the net at  
15 the end, and your revenue and expenditures must both  
16 be considered.

17 THE CHAIRMAN: What goes into the till?

18 THE WITNESS: That is right, the klink.  
19 I was going to say I have this statement and I might  
20 say that I am speaking only on our freight sales  
21 development at this point and I think that is primarily  
22 what you are interested in.

23 "The main activities of Freight Sales  
24 Development will be:

25 "(a) Planning and executing working  
26 policies for establishing forecasts and  
27 objectives. Forecasts of traffic are  
28 needed by management in order to anticipate  
29 the transportation requirements of the  
30 future, for any period such as a month,





1  
2 quarter, year, etc. Forecasts are most use-  
3 ful in planning economic use of personnel  
4 and equipment. The sounder the planning,  
5 the sounder the financial results will be,  
6 for efficiency is seldom spontaneous. While  
7 in such a complex operation as that of the  
8 Canadian National it is not an easy task  
9 to forecast exactly what traffic will be  
10 available in the future, every means must be  
11 used to improve forecasting as it is the key  
12 to successful operational planning.

13 "Sound objectives are also valuable  
14 sales tools which assist the control of  
15 the sales effort and at the same time gives  
16 the sales representatives a goal to shoot at,  
17 and also a measure of their personal par-  
18 ticipation in the success of the overall  
19 sales operation. This will be a new venture  
20 for the Canadian National, and it will re-  
21 quire considerable effort and understanding  
22 on the part of all concerned before it is  
23 completely effective.

24 "(b) Initiating studies concerning  
25 rates, costs, equipment and services. In  
26 so far as rates are concerned, Freight Sales  
27 Development will not be involved directly  
28 in rate work as this is the function of the  
29 rate section of the department. Its  
30 contribution will be in the area of studying







1  
2 ways and means of improving the net revenue  
3 possibilities of particular rate making tech-  
4 niques, following the results of new rate  
5 concepts which have been or will be incorporatd  
6 into the rate structure. In certain instances  
7 it will participate in the analytical work  
8 needed for individual rate problems, especially  
9 when particular attention has to be paid to  
10 cost features.

11 "In so far as equipment and service  
12 standards are concerned, Freight Sales Develop-  
13 ment will work toward establishing the feasi-  
14 bility and economics of various types of  
15 equipment, keeping in mind the service re-  
16 quirements of shippers."  
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2           The activities already described can be  
3 successfully performed only with suitable statistical  
4 data being available. The new section will therefore  
5 arrange for and in certain circumstances, at least,  
6 directly collect data that will help them in their  
7 main function, and it will also supply statistical data  
8 to other sections of the department.-- that is, the  
9 straight sales section of the department. To this end  
10 it will also provide the liaison and the leadership  
11 as far as sales is concerned to our people who are  
12 working in the integrated data processing area. In  
13 order to complement these other activities this group  
14 will plan in consultation with our market research  
15 section freight market service designed to measure the  
16 share of the market and characteristics and why the  
17 share we are not getting is going to the other means  
18 of transportation.

19           I have talked of freight sales, and that is  
20 what our freight sales development group will do. It  
21 is a relatively new departure. We only started this  
22 up, if I remember correctly, on the first of June of  
23 this year and perhaps some people in this room will  
24 remember Mr. Gardner has been pretty busy since that  
25 time at other work.

26           The market research group -- we have a group  
27 in the sales department which works with this group  
28 who are not at this moment part of it. We call these  
29 people market research people, basically, but they are  
30 the market survey people. These are the people who







1  
2 design questionnaires and techniques and methods  
3 whereby you test by means of information not available  
4 within the company the size of the total transportation  
5 market and attempt to find out in this market what  
6 portions are going to other modes of transportation  
7 which today in Canada is an extremely <sup>difficult</sup> thing to find  
8 out because the statistics of the highway carriers are,  
9 to say the least, not comparably correct to those of  
10 the rail carriers.

11 So, to get a full understanding of the  
12 transportation market is extremely difficult now, and  
13 this is why we are trying the survey technique. This,  
14 again, is relatively new. The first thing this group  
15 did was a massive survey of the passenger market in  
16 Canada, and it is only within the last eight or nine  
17 months they have got into the freight field at all.  
18 The results so far are encouraging although far from  
19 being definite. Now, that group specifically made a  
20 survey of the canned goods industry by surveying the  
21 manufacturers of the goods, and we were extremely  
22 pleased about the amount of information we got.

23 Then, if I may go on ...?

24 Q. Yes.

25 A. In research and development, working  
26 with our freight sales development group, we have  
27 made attacks on trying to understand the problems of  
28 some of the large basic industries of the country.

29 For instance, we have done, in conjunction with the news-  
30 print people, a survey of the newsprint industry in





1  
2 Canada and its sort of shipping characteristics and  
3 things of that sort, and also one is underway at the  
4 moment -- the same form of understanding -- on the  
5 iron and steel industry. There are innumerable others  
6 we have planned to get going on.

7 That, at great length, gives you a capsulized  
8 idea of what we are trying to do.

9 Q. Thank you. What you have just said  
10 with respect to the difficulty of getting information  
11 in the form of statistics with respect to the trucking  
12 industry leads me on to the next point, and I refer you  
13 to page 10 where you say in the first complete paragraph  
14 on that page, "Another aspect of competitive pricing  
15 is the frequent use made of cost information pertaining to  
16 rail and competing media of transportation." Later on  
17 in that paragraph you point to the desirability of  
18 obtaining cost information of your competitors, and  
19 indeed you say in one sentence there, "In marginal  
20 cases the information of both costs is required. Much  
21 costing work of this type has been carried out." I  
22 am just wondering how you can get the necessary  
23 costing information from competing media of  
24 transportation, or relating to competing media of  
25 transportation, to enable you to carry out what you  
26 have in mind in following your program of competitive  
27 pricing?

28 A. For a great many years the Canadian  
29 National has operated trucks of its own of one sort  
30 or another, and more recently we have been purchasing









1  
2 trucking lines, and now we believe that we have a  
3 fairly good understanding of the cost structure of  
4 the highway industry. We feel satisfied that now  
5 we are reasonably close -- close enough for the  
6 establishing of the two brackets I mentioned earlier --  
7 variable costs in the highly competitive fields,  
8 variable cost is the floor, and the variable cost of  
9 your competitor as perhaps the ceiling.

10 THE CHAIRMAN: You are learning by  
11 experience?

12 THE WITNESS: Very much so.

13 MR. FRAWLEY: It is too bad the trucks could  
14 not buy a little railway here and there.

15 THE WITNESS: They have got one or two for  
16 sale.

17 MR. COOPER: Q. On page 11 at the bottom  
18 of the page you say: "Canadian National suggests,  
19 therefore, that in the public interest there are only  
20 three items of regulation which retain their  
21 justification in the competitive field." Then, you  
22 come to those three items as, first, that the rates  
23 in effect should be made known to the shipping public;  
24 and secondly that the rates should not go below  
25 variable cost; and thirdly, that the rates should not  
26 be lower than necessary to meet competition. Should  
27 there not also be added to that list that the rates  
28 must not be unjustly discriminatory and rates must be  
29 just and reasonable? Or have I misunderstood your  
30 point?





1  
2 A. No, very definitely; I think that  
3 perhaps a general statement on our philosophy with  
4 respect to rate regulation might be in order right  
5 here, Mr. Cooper, and it might clarify or expand a  
6 little more what we have in mind.

7 Q. Well, just before you do that, I would  
8 like to refer you to page 12. I may have misunderstood  
9 the connection between what I am now referring to on  
10 page 12 and what I have already referred to on page  
11 11. On page 12 you are still talking in the first  
12 complete paragraph on that page on the problem of  
13 meeting carrier competition, and you are talking about  
14 your previous suggestion, and you say, "Its  
15 implementation would not require any change or  
16 alteration in the well known yardsticks used to  
17 measure the justness and reasonableness of railway  
18 freight rates, such as the Board's standard for  
19 permissive level of earnings, and the equalized class  
20 rate scales. Neither would it affect in any way the  
21 safeguards in the Railway Act which protect the  
22 public from unlawful discriminatory rate practices."  
23 It was as a result of reading that that I put the  
24 question to you as I did?

25 A. Yes.

26 Q. That perhaps should be added to (a),  
27 (b), and (c), (d) and (e)?

28 A. Perhaps it is fair to say that there  
29 are two ways to look at the problem, and perhaps we  
30 were trying to look -- as you read them out in







1  
2 isolation -- perhaps they are not as clear as they  
3 might be.

4 Let me say this: in the first place, you  
5 can look at the matter as we might well look at the  
6 matter, as the C.N.R., only as a member of the railroad  
7 industry. If you look at it from only that point of  
8 view we do not believe that there is any necessity for  
9 either maximum or minimum rate regulation, or indeed  
10 for any of the other tests or measures that you read  
11 out from those two ~~excerpts~~.

12 We think basically that regulation has lost  
13 its reason for being, of course, from the all pervasive  
14 forces of competition of the various types that have  
15 been described. I believe that looking at it from the  
16 industry's point of view that there is really only one  
17 test, like in any other business, as to how you set  
18 your price, and that is how the market indicates how  
19 you should set your price.

20 THE CHAIRMAN: But there are more industries  
21 than one in Canada.

22 THE WITNESS: Yes, that is why I was looking  
23 at it as the rail industry alone -- and perhaps that is  
24 it; but, looking at the other forces at play, perhaps  
25 some of them historically, we perhaps felt and did feel  
26 that a total overthrow of all regulation was not  
27 practical at this time.

28 On that premise we look at the thing from  
29 another point of view: in the competitive area we feel,  
30 just looking at the area of competition, that the three





1  
2 tests that are outlined in our brief, that the rates in  
3 effect should be known to the shipping public, and that  
4 the rates should not go below variable cost, and that  
5 the rate should not be lower than necessary to meet  
6 competition, those are the only safeguards, and we feel  
7 are required as far as minimum regulation is concerned,  
8 but you could, if there is any protection required for  
9 the shipping public -- and I do not believe there is.  
10 This is the position we take on page 11 of our brief.  
11 We do not feel that any more regulation on the low side  
12 will permit the railways to price competitively.

13 THE CHAIRMAN: You are speaking purely of the  
14 rail situation?

15 THE WITNESS: Not in the second. I said in  
16 the first, if we were looking only as a railway  
17 industry, this is so. However, on the maximum side,  
18 with regard to the regulation of the maximum level of  
19 rates, different considerations perhaps apply. This  
20 form of regulation applies only to that portion of the  
21 transportation which is non-competitive, because in the  
22 competitive field the height of your price is held down  
23 by the competitive forces at play. So, as far as the  
24 upward regulation or regulation of ceiling rates, or  
25 something of that sort, is concerned, you are talking  
26 in the non-competitive field -- the area of functional  
27 monopoly.

28 MR. COOPER: Q. So, on page 11 you are  
29 speaking of the competitive field and on page 12, and  
30 the excerpts I have already referred to, you are speaking







1  
2 of the non-competitive field?

3 A. That is a practical means, perhaps, and  
4 the only acceptable way. As far as the non-competitive  
5 field is concerned, or the captive field goes, there are  
6 certain other things that have been done. For instance,  
7 in Britain under section 22 of their Act they would seem  
8 to have given as far as the top side is concerned the  
9 Transport Tribunal the widest possible jurisdiction to  
10 decide whether in a specific instance on a specific  
11 movement a man needs regulation or not, and if they  
12 decide he does, they once again seem to have the widest  
13 possible jurisdiction to decide what that specific  
14 rate should be as and by itself.

15 In this area it appeals to us that perhaps  
16 there is a germ of a thought here that could and should  
17 be examined, and I am afraid at the moment we cannot  
18 assist the Commission very much because we had some  
19 people in England but we were not as successful in  
20 finding out how this mechanism was working as we had  
21 hoped to be in the first instance. I do not think  
22 this might be the total solution because before your  
23 Commission there has certainly been a great many people  
24 talking about scale of ceiling rates and how to change  
25 the scale of ceiling rates, and most of the submissions  
26 to the Commission in the rate area were speaking to this  
27 end. By and large these submissions, as I read them,  
28 seemed to have one thought in mind, which was to shift  
29 part of the burden from the long haul shipper to the  
30 short haul shipper. In other words, you might say





1  
2 what was being done was suggestions were being brought  
3 forward to change the rate of taper of the scales that  
4 are in force and particularly the maximum scales --  
5 the class rate scales. Built into this -- and this  
6 was all built around a rather serious dislike for the  
7 horizontal increase which has been advocated, and I  
8 do not need to go into that in detail by any manner of  
9 means. As far as the C.N.R. is concerned, we do not  
10 like horizontal increases either. We do not believe  
11 it is the ideal way to increase freight rates, but  
12 together with all the other railways in Canada we have  
13 been working in an attempt through our competitive  
14 pricing schemes to shift the burden to try and assist  
15 and pick up money in areas we are not getting it from  
16 now so that this money can be applied to make changes  
17 in individual rates. One of the difficulties is that  
18 as far as I am concerned a mere change of the rate of  
19 taper cannot be accepted if at the same time you are  
20 going to say that the revenue requirements as we  
21 presently understand them of the railroads are to be  
22 met.

23 A simple example is this: if you need  
24 \$100 and you can get \$55 from a long haul shipper  
25 and only \$45 from the short haul, it can be said very  
26 quickly that we will get \$10 more from the short haul  
27 and you just knock \$10 off the long haul shipper. This  
28 is fine if you can get the money from the short haul  
29 shipper and, unfortunately, our experience right now  
30 is, as far as the gross revenue is concerned, this is







1  
2 just not possible or practicable. I am not suggesting,  
3 however, that this means nothing can be done. Far from  
4 it. This is not counsel of despair at all. I feel we  
5 have to remember something I said earlier, which is  
6 pretty axiomatic, that your net is your revenue minus  
7 your expenses, and in our brief here we have made  
8 proposals both ways that would increase our revenues  
9 and decrease our expenses.

10 I speak, for example, on the proposal on the  
11 Crows Nest rates, the discussions in the brief about our  
12 passenger business increasing its effectiveness as a  
13 competitive force and as a means of moving people, and  
14 more specifically we speak at rather some length on the  
15 competitive pricing scheme which I believe very  
16 definitely will improve our situation substantially over  
17 the years as we get further and further along with our  
18 plans.

19 Talking about the expense side, the proposals  
20 we have made to cut down on our branch lines and on our  
21 passenger services where they are not economic, or ask  
22 that a subsidy should be paid for any that are necessary  
23 in the public interest, and we also go into the question  
24 of reducing the burden to operating through the Atlantic  
25 ports by being paid for anything over and above the  
26 amount which would seem to be economically indicated.  
27 I say when the time comes, if our ideas are accepted,  
28 this changes our revenue-expense equation very drastically,  
29 and the railways should become a very much healthier  
30 entity. At that time we in the C.N.R. would be delighted





1  
2 to sit down and discuss with the people in interest  
3 before some tribunal, or the Board of Transport  
4 Commissioners, which actually now has the power at  
5 least to set the maximum rates, to see just what the  
6 best method of reducing the burden on the long haul  
7 shippers would be.

8 Q. Do you consider that if there are going  
9 to be more general revenue cases that the horizontal  
10 percentage method is the best method of obtaining the  
11 additional revenue?

12 A. If it is necessary to raise a substantial  
13 amount of money in the relatively near future before  
14 these other things I have been discussing have been  
15 able to take place, I do not see that we have any other  
16 course open -- and I might say reluctantly -- but to  
17 file for a general horizontal increase. The schemes  
18 of taper changes that have been mentioned here today --  
19 and I am making no criticism of them at all because  
20 by our freight techniques and the time and understanding  
21 we have had since they came up, we do not feel we are  
22 in a position to criticize them or to really be a  
23 significant help on the positive side. Perhaps not  
24 unnaturally we can see the difficulties very quickly,  
25 but I do not believe they should be cast out of hand  
26 just because we cannot see difficulties more quickly  
27 than we can see strengths, but with the advances in  
28 data processing and fact finding techniques that I have  
29 been describing, these type of proposals can be tested  
30 and should be tested, and I think we will be able to be







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of great assistance at that time in helping towards reaching a solution which will be more acceptable to the people of Canada than the horizontal increase we have been following up until now.

--- A short recess ---





1  
2 THE CHAIRMAN: Order, please.

3 MR. COOPER: Q. Mr. Hart, you referred a  
4 few moments ago to integrated data processing and the  
5 use that might be made of such processing in evaluating  
6 plans or proposals put forward as an alternative to  
7 uniform percentage increase method of applying a  
8 rate increase -- a general rate increase. It would  
9 be of interest to the Commission if you would give  
10 them some further information on that point.

11 A. One of our difficulties, at least the  
12 difficulties that we have found, is that we really  
13 have not got all the information necessary to test.  
14 I mean, we have thought of other means of attempting  
15 at any time we have had the necessity of increasing  
16 freight rates of trying to do it in different ways.  
17 Because of our lack of data it has been well -- such  
18 as, how individual commodities move, how they move by  
19 distance, and things of this sort -- that we really  
20 have not been able to run an adequate study on any  
21 of the other schemes of our own or of any of the  
22 ones proposed before the Commission here.

23 Q. When you say the ones proposed before  
24 the Commission here, you are referring, among other  
25 proposals, to those put forward by Alberta?

26 A. Alberta and Manitoba. I think largely  
27 from the western provinces, yes. The flow of data  
28 that we will get when our integrated data processing  
29 programme is completed will give us a far better  
30 understanding of our own business.







1  
2 Earlier, perhaps I was talking about getting  
3 an understanding of the market as a whole." I will  
4 now confine myself to a better understanding of our own  
5 business, so that we know just how the various com-  
6 modities move and then perhaps out of that get an  
7 understanding of why they move in one area or at one  
8 distance and do not move in another area or at another  
9 distance.

10 Q. How long do you think that process will  
11 take to develop to the point where you will have the  
12 statistical information necessary to enable you to make  
13 a comprehensive assessment of these alternative pro-  
14 posals?

15 A. I think that within two years we will  
16 have the flow of data, the complete flow of data,  
17 that will be necessary, Mr. Cooper. It may be  
18 shorter than that and perhaps I will have to speak  
19 in general terms, because I am not as familiar as I  
20 perhaps should be on this, but we are installing and  
21 we have at the present moment a large electronic  
22 machine in Montreal of the 650 series, and we are  
23 moving forward now to the broadening of this. The  
24 650 was used sort of to train us in the use of IBMs.  
25 We did not buy the larger machines until we got  
26 some understanding of the technique as it was going to  
27 apply to our own business, but it is in our plans now  
28 to put an IBM machine known as the 1401 in each region  
29 and also have a 7070, which I understand is the largest  
30 and the most modern of the machines, will start to be





1  
2 installed in Montreal some time, I think, late next  
3 spring or early next summer is our plan. " I think  
4 that takes something of the order of seven or eight  
5 months to actually do the mechanical and electrical  
6 work necessary to get the machine in operation, but  
7 all the programming and things of that sort can be  
8 done at the same time, so that is why I grab at the  
9 figure of two years.

10 Q. I move now to Chapter III, "Passenger  
11 Train Service." Would you outline for the benefit of  
12 the Commission, Mr. Hart, the views of the Canadian  
13 National as to the future of the passenger business?

14 A. In the first place, I would like to  
15 emphasize and make it perfectly clear just where  
16 Canadian National stands; that is, that we are in  
17 the passenger business to stay. Certainly it is  
18 as far into the future as we can see now. By this I  
19 mean that despite competition of other modes of  
20 transportation, based on opinion and also on a lot  
21 of analyses that we have carried out as a result of  
22 this massive market survey that we carried out a  
23 year or so ago, it is our opinion that the Canadian  
24 people want and will continue to want and indeed will  
25 need and will continue to need rail passenger ser-  
26 vice. And we believe that we will be able to provide  
27 such a service at an attractive price.

28 It needs to be understood when I say that  
29 that in continuing to compete in this area I do not  
30 indicate to the Commission at all that we intend to







1  
2 remain static in the kind of service we are operating.

3       Should demand occur for new services,  
4 new types of services, we will certainly introduce  
5 new types of services, in any case where analysis  
6 indicates we can make money and do the thing at a  
7 profit.

8       On the other side of the coin, it is just as  
9 obvious that we must abandon services that are clearly  
10 unprofitable, and in such a case we have in our brief  
11 asked the Commission to assist in setting a climate  
12 that would permit us to abandon such services and  
13 carry out such curtailment in services as are necessary.  
14 We also go on to say in our brief that should it be  
15 found by the Board of Transport Commissioners that in  
16 the public interest such a service is required and  
17 is uneconomical, that we should be paid a specifically  
18 stated subsidy applicable to that service itself. So,  
19 effectively, all we are asking is that if in this  
20 instance, if a passenger service is required in the  
21 public interest, that we be hired to run this service;  
22 that we be paid for the service we perform.

23       Now, we certainly intend to compete as  
24 aggressively as we know how in the passenger travel  
25 market. We mention in the brief the steps we have  
26 taken in conjunction with other railroads in Canada  
27 to be more aggressive in our sales activities. I am  
28 referring to the various things outlined in some detail:  
29 the group package plans the go now-pay later plan, and  
30 so forth. And right now our market research and





1  
2 passenger analyst group have in hand studies and various  
3 other schemes that may make our business more attrac-  
4 tive.

5 We certainly do not believe that the passenger  
6 train is doomed, by any manner of means. It may be  
7 that its form will have to change. We do feel, given  
8 the opportunity, we will be able to redesign our  
9 facilities, equipment and services to sort of reflect  
10 the demand of the travelling public, and if this is  
11 done against the background of getting out of the  
12 uneconomic services or being paid to operate them, we  
13 will eliminate our passenger deficit and still remain  
14 a leader in motive passenger travel in Canada.

15 Certain it is that there are some forces  
16 of play that sometimes we tend to overlook. All  
17 one has to go is go out on the highways today and  
18 see the crowding and the difficulty people have in  
19 driving from one place to the other. This is a very  
20 serious thing, and I believe it is one of the forces  
21 that is going to encourage people back to the passenger  
22 train.

23 In certain points, of course, we can even,  
24 indeed, compete timewise from downtown to downtown  
25 with the jet service. I think everyone here perhaps  
26 has used the jet service from Montreal to Ottawa.  
27 Well, we are giving a two-hour service from downtown  
28 Ottawa to downtown Montreal, which cannot be  
29 equalled, even as a matter of time, by the air.

30 Q. Does that indicate that your passenger







1  
2 services in the future will be operated in the area of  
3 intercity services?

4 A. I think this is so, that in the long  
5 range the market of the railway does lie in fast  
6 comfortable intercity service, and I might say that a  
7 good deal of the service that is being provided now  
8 on a transcontinental basis by Canadian National, if  
9 you break it down into segments you will see that  
10 basically what we are doing on transcontinental service  
11 is supplying first rate overnight service between  
12 major points of population.

13 Then, speaking of population, this is another  
14 of the forces that are going to encourage us to think  
15 that the passenger market is an attractive one. Canada  
16 is growing, and it is continuing to grow, and with  
17 the population growth this gives us a bigger market  
18 and a bigger opportunity.

19 So, I say the passenger train is not doomed  
20 by any manner of means. It is changing with the times,  
21 as any industry must do, and if we can eliminate the  
22 unprofitable and rearrange our inventory and the various  
23 other things necessary to put our plant on a sound  
24 business basis, we certainly are not going out of  
25 business, out of the passenger business. Certainly  
26 what it means is, right at the moment, we in the  
27 Canadian National are regrouping our efforts to try  
28 to supply what the travelling public want.

29 Q. Are commuter services now profitable, Mr.  
30 Hart? What is the situation with respect to that?





1  
2 A. The situation generally is that, and  
3 the latest figures I have seen, I would say we have  
4 narrowed rather considerably the out of pocket loss  
5 that we were experiencing, and it was indicated --  
6 the last figures I saw -- that we were within something  
7 of the order of \$250,000 or \$300,000 of revenue  
8 balancing expense. Now, that came about, of course,  
9 by means of a rather large elimination of commuter  
10 service and concentrating -- basically, we only have  
11 three commuter services; Montreal tunnel service;  
12 Toronto-Oakville service; and Montreal-Ste. Hilaire --  
13 all three are high volume lines. This, of course,  
14 is the only area where commuter service has any chance  
15 at all to break even.

16 Q. On page 15 you set out the figures for  
17 passenger train revenues and expenses for 1958. We  
18 now have the figures for 1959. Those, of course, are  
19 figures only for Canadian lines, exclusive of commuter  
20 train operation, and you state that no allowance has  
21 been made in the above revenues for the value of  
22 free transportation service.

23 What was the value of free transportation  
24 in 1959? Have you got that figure?

25 A. I have not got that figure, Mr. Cooper,  
26 because -- well, I have not the figure. There are  
27 ways to arrive at such a figure statistically, and I  
28 do not even know whether it is available, but we could  
29 work out a statistical figure and supply it, if it is  
30 required.







1  
2 Q. It might be of advantage to the Commission  
3 if you could work out a figure, even if it must be an  
4 estimate.

5 MR. McDONALD: Mr. Cooper, on the value of  
6 free transportation, no record is kept of the use of  
7 passes. A person might get on the train at Ottawa,  
8 might go to Vancouver; but if he gets off at North Bay,  
9 you wouldn't know. It is difficult, without any  
10 information to get any accurate record, but we did  
11 make a check on the transcontinental trains in 1958,  
12 and we have examined the work that the CPR has done,  
13 and theirs comes out to \$6,700,000. If you took a  
14 figure of \$9,000,000 for 1958 you would not be very  
15 far out for the Canadian National.

16 MR. COOPER: Q. I think that information,  
17 Mr. McDonald, will be sufficient for the purposes of  
18 the Commission. If they require anything further  
19 they could get in touch with yourself?

20 A. Yes.

21 Q. On page 19, and this is a small point,  
22 but I just wish to refer to it.

23 You mention that in some cases in addition  
24 to the substitution of the Budd rail liners, truck and  
25 bus services over the highways were inaugurated as  
26 well.

27 What is the policy of the railway with respect  
28 to bus services?

29 A. Well, sometimes in the past, Mr. Cooper,  
30 we have been in a position before the Board of





1  
2 Transport Commissioners, if I remember this correctly,  
3 where they said that we could eliminate or indicated  
4 that we could eliminate certain passenger services  
5 if a bus service were provided. And in some instances  
6 we were able to interest private operators; in other  
7 instances we were not able to do so.

8 In the cases where we were not able to  
9 interest the private carrier to take over and, by  
10 instituting a bus service there was going to be less  
11 loss to the Canadian National, we instituted our own.

12 Now, we have some cases in which we were able  
13 to interest private carriers; other cases by which  
14 we, by means of contract, got a private operator in;  
15 and, certainly, we operated some ourselves, but always  
16 from the point of view it was cheaper for us to do  
17 this than to continue to operate the conventional or  
18 Budd type of passenger train service.







1  
2 Q. Well, they are put in as a substitute  
3 service only.

4 A. Yes, and to enable us to really make  
5 the saving by getting the trains off and still making  
6 certain that there was a service.

7 Q. In your recommendation in this respect  
8 on page 24 you suggest an amendment should be made to  
9 the Railway Act by adding section 315(A) and the first  
10 of this subsection of that proposed new section says:

11 "Notwithstanding anything in this or any other  
12 Act the company may, subject to this section,  
13 discontinue the operation of any passenger  
14 train service whenever the revenues from such  
15 service fail to meet the cost of operation."

16 Would you not consider it wise that there  
17 should be some period of time put into the statute over  
18 which the railway must establish that the revenues  
19 failed to meet the cost of operation.

20 A. By this I mean we should, when we come  
21 forward to the Board have to say that for the last year  
22 or last two years or something of that sort?

23 Q. I am not suggesting perhaps that should  
24 be provided in the statute itself, whenever the revenues  
25 ---

26 A. I can see nothing wrong with that, I  
27 think that really would have to be so, as a matter of  
28 fact.

29 Q. To have it right in the legislation?

30 A. I can see nothing wrong with that.





1  
2 Q. What period would you suggest, one year  
3 or two years?

4 A. I would think two years might be  
5 reasonable. I must admit that I am speaking by way of  
6 curbstone information. The two things -- I think  
7 perhaps two years might be necessary and it now strikes  
8 me that the difficulty of putting a thing like that in  
9 the legislation and the knowledge that there might be  
10 something wrong with it -- let me say the principle is  
11 sound but whether it should be in the legislation or not  
12 is another question. If you get something into the  
13 legislation you are held to that until such time as  
14 parliament deems it should change legislation.

15 Q. I am only asking you to suggest to see  
16 whether you have any strong views on it.

17 A. I think probably it might be better for  
18 the Board to be given the right by statute to indicate  
19 a time should be considered but it should be left to  
20 the Board to say the time depending on individual  
21 situations or depending on the very point of time  
22 that you happen to be in.

23 MR. McDONALD: Excuse me for interrupting  
24 but at the present time the Board has its rules for  
25 the data it requires and it has worked very satisfactorily  
26 on all abandonment cases.

27 MR. COOPER: Q. You are suggesting then,  
28 Mr. McDonald, that the rules of data presently in  
29 effect continue?

30 MR. McDONALD: Yes.







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MR. COOPER: Q. With respect to the period of time during which you must establish a deficit and any such matters as finding what cost of operation might mean and so on ---

A. Yes. I think, as I say, the difficulty is you tend to get fairly restrictive if you are under legislation but if the power is given to the Board they can adjust depending on the varying conditions from time to time.

Q. Has the railway considered at all with respect to this question of subsidy the provision of a subsidy from a source other than the National Treasury? You may get a small local passenger line that it has been determined should continue and I am just wondering why National Treasury should bear whatever deficit there may be in the operation of such a line when, perhaps, the problem is not national in nature but is merely one of local concern.

A. Well, in this area I think there are two or three things that should be mentioned. The first thing is, the practicalities of the situation have to be looked at. By that I mean under our legislation certainly it is that the power is granted that could either tell us to stay on or not to stay on in spite of your proposing another practical method whereby you could do the same thing. Now, also, we have examined the subsidy position of the federal government in other matters with at least somewhat similar problems and we feel that this proposal is not at all inconsistent





1  
2 with what the government has done and is presently  
3 doing in subsidizing transportation services of a local  
4 nature. I would refer you particularly to the local  
5 steamship services, in the first instance. I have a  
6 considerable list here that I perhaps might mention.  
7 The first is Baddeck and Iona -- this is for the  
8 Chairman -- is presently subsidized by the federal  
9 government.

10 Q. It is in the national interest that  
11 that service be maintained.

12 A. It is beautiful country. There are a  
13 great many others such as Halifax, Canso and Guysborough,  
14 N.S.; Ile-aux Grues and Montmagny, Quebec; Mulgrave  
15 and Canso, N.S.; and Riviere du Loup and St. Simeon,  
16 Quebec. This is right across the country from one  
17 end to the other and federal government is subsidizing  
18 through the Maritime Commission Local Service Act.  
19 This seems to me to be on all fours with the  
20 proposition we are putting forward today. There are  
21 other things I could mention too, for instance, where  
22 the federal government because there is a general  
23 national problem is really helping in subsidizing in  
24 local areas. There is a national interest, for  
25 instance, that the people along the coast of  
26 Newfoundland have connection to the main line service  
27 of the railroad. So, I say, that the same thing does  
28 exist on branch lines over a passenger service which  
29 becomes, for its economic reasons, not a good business  
30 proposition. Unfortunately, the federal policy of the







1  
2 federal government so far seems to be that they are  
3 not going to with their functions add subsidies,  
4 as I say, to ferry service and steamship service,  
5 which to my mind, are exactly comparable with our  
6 proposition.

7 Q. You would not carry that into the  
8 commuter field, would you?

9 A. Commuter is not really a means of  
10 necessity. I make that distinction. Commuter service  
11 is a matter of convenience, perhaps, of moving large  
12 numbers of people in a very restricted area which  
13 could be moved, perhaps, in another way. I think  
14 very definitely that this is not a matter of national  
15 interest. This becomes a matter of local interest and  
16 as this Commission may know we have discussed with  
17 both the people in Toronto and the people in Montreal  
18 to this end. If more commuter service is required,  
19 any new service required, we will be delighted to  
20 supply it as long as somebody pays us for the service  
21 or, in any other words, pays us for what we do not  
22 collect from the passengers.

23 Q. Now, that is all I wanted to direct to  
24 your attention and to ask you questions concerning  
25 passenger train service. I am just following the  
26 chart here, and the next subject with which you deal  
27 is the recommendations on page 67 and the use of  
28 Canadian ports for export traffic on page 77. What  
29 you have on page 67 carries out the recommendation  
30 which we have already discussed as put forward by





1  
2 yourself with respect to passenger train service?

3 A. That is right, sir.

4 Q. I do not think there is anything there  
5 on which the Board would require further information.  
6 And now, the matter of quantity rates is dealt with  
7 on page 68 and 69 and you state there:

8 "Section 317(3) the Railway Act:

9 'The tolls for carload quantities or longer  
10 distances, may be proportionately less than  
11 the tolls for less than carload quantities,  
12 or shorter distances ---'".

13 And then you say:

14 "As interpreted by the Board, tolls must be  
15 based upon a single carload quantity and it  
16 is not permissible to make rates based upon  
17 any other basis, such as, for example, a  
18 bulk quantity of 100,000 tons."

19 Then, page 69, you give your recommendation  
20 for an amendment of section 317 of the Railway Act and  
21 section 32(6) of the Transportation Act. As I  
22 understand it, Mr. Hart, the object or one of the  
23 objects for providing another section 232(6) of the  
24 Transportation Act:

25 "... the carload rate for one car shall not  
26 exceed the carload rate for any greater number  
27 of cars."

28 That is to protect the small shipper?

29 A. I think it is probably the thought that  
30 is involved there.







1  
2 Q. With your recommendation that  
3 protection to the small shipper would be lost, if in  
4 fact in practice he has any protection today?

5 A. Well, what we feel at this instance,  
6 Mr. Cooper, is that the present time there is  
7 discrimination against the small shipper that is going  
8 on by other means of transportation and as a result  
9 we are not fully competitive across a full scale of  
10 our business. We are lacking one piece of merchandise  
11 to sell, so to speak, so at the present time if we  
12 are called upon to quote on 100,000 tons against the  
13 steamship he could make such a quotation that we  
14 cannot. We have to consider that whatever rate we  
15 put in must be applicable on one car as well as 1,000  
16 cars.

17 Q. But in practice would it not come down  
18 to a mathematical computation?

19 A. Well, if you do that, and this can be  
20 done in certain types of movement, but, for instance,  
21 if you were moving scrap, say, from Montreal to  
22 Hamilton and you had a chance to quote on 100,000  
23 tons and you base your rate on the movement of the  
24 100,000 tons, you would still have to publish it as  
25 a one carload rate and the man with one carload, say,  
26 10,000 pounds, or whatever the actual minimum per car  
27 may be, would be able to get the advantage of that  
28 same rate. This is the difficulty. Other people can  
29 quote on 100,000 tons and we cannot unless we are  
30 prepared to quote that same rate to the one car shipper.





1  
2 This means basically we are deterred from quoting  
3 against business that can be run and run profitably  
4 and as a result we make money for it, by taking the  
5 analogy far enough, perhaps I am helping the small  
6 shipper.

7 Q. Of course, this is a field where you  
8 would be putting in agreed charges practically  
9 exclusively, would you not?

10 A. It would not have to be an agreed  
11 charge, no. You could quote this type of movement,  
12 it is a one shot movement, once to move 100,000 tons,  
13 there is no need to quote that as an agreed charge  
14 because you are getting all his business. It could  
15 go into an agreed charge, I am not suggesting that is  
16 not open to it and that is what we are asking to do  
17 it either way whichever fits the individual  
18 circumstances.

19 Q. On page 69 you deal with joint tariffs  
20 and interchange of freight for rail highway movement.  
21 Should this be extended, possibly to the movements by  
22 air as well as by highway?

23 A. I think so. Perhaps we just had a  
24 little tunnel gaze when we read this, we were thinking  
25 of problems that we were presently meeting or thinking  
26 about. I would certainly think if a change is to be  
27 made in these sections it should deal with all common  
28 carriers or, indeed, any carrier which is going to be  
29 in one way or another moving goods might be done by  
30 way of a movement by one form of transportation and a







1  
2 secondary movement by another. Our thought was not  
3 to limit it but rather to broaden and I would think  
4 that should be done.

5 THE CHAIRMAN: Even the pipelines?

6 THE WITNESS: Even pipelines -- airlines and  
7 so forth.

8 MR. COOPER: Q. Suppose you had a rail  
9 highway movement made under such conditions as you  
10 suggested in your brief, how could you establish, if  
11 you had to establish, the fact that it was not an  
12 unjustly discriminatory rate against other movements?  
13 You have the highway element involved there so would  
14 it not be very difficult to justify the rate if you were  
15 attacked as being unjustly discriminatory?

16 A. Is this as a matter of the difference  
17 in the constitutional position?

18 Q. Mr. McDonald suggested if we had all  
19 competitive rates then in that case it would not arise?

20 A. I am not certain I agree with the  
21 latest question but I certainly do not understand  
22 the first one.

23 Q. Well, let the first one go and swing  
24 to the second one. The other recommendations which  
25 you make I think need no elaboration, Mr. Hart and  
26 I think they are clear in the brief and I do not  
27 intend to go into them at any length. I might just  
28 mention to you your recommendation on page 73 on  
29 the amendment to section 328(1). The effect of that  
30 type of recommendation would be, as I understand it,





1  
2 that the present requirements of section 328(1) would  
3 apply only to non-competitive traffic?

4 A. That is right.

5 Q. Your amendment to section 334 also  
6 mentioned on page 73, it would seem to me might enable  
7 the Board to ask for more information than they can at  
8 the present time ask for. I am wondering if that is  
9 the fact, if I am right in that if your recommendation  
10 would have the effect that you would want to achieve  
11 by it.

12 A. Well, in the first place, I do not think  
13 that your proposal is correct.

14 Q. It may not be.

15 A. One of the difficulties at the present  
16 time -- I have not got a copy of section 328 in front  
17 of me ---

18 MR. FRAWLEY: It is at page 71 of your  
19 brief.

20 THE WITNESS: Then, one of our difficulties  
21 here is that any time that the Board has asked us for  
22 information on a competitive rate -- I must very  
23 quickly say that this has been relatively infrequently  
24 -- what they do is automatically they ask us all these  
25 questions given us, the information in section 334.  
26 Now, some of this information is not available, we  
27 have not some of this information available to us.  
28 The name of a common carrier or carriers and the rate  
29 over which competing carriers operate, in some  
30 instances, we just have not got such information nor,







1  
2 can we without a good deal of trouble get this type  
3 of information. By and large, in some instances it  
4 is not important information. Really what we are  
5 asking is here that we are not, if it is necessary  
6 to permit the Board to investigate these things, give  
7 them broad powers which they will use probably to  
8 ask one question or something of that sort rather than  
9 asking for them all. Basically what our attraction  
10 here is that it is an inhibiting force on our  
11 competitive rate making because our people think these  
12 things all the time. It may not be serious but it is  
13 serious to the individual man who starts to have to  
14 wonder what is the name of another case if I am asked  
15 for it. We feel that Board given perhaps even a broader  
16 power will use it less restrictively or less broadly  
17 when in an individual case <sup>they</sup> come to ask us for the  
18 information.  
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1  
2 Q. What costing work do you do before  
3 you publish a competitive rate, Mr. Hart, "so that you  
4 will be in a position later to establish that the  
5 rates are compensatory?

6 A. Well, in the first place, we have a  
7 good deal of information within our own traffic  
8 group of experience -- and this to some degree is the  
9 seat of the pants, although there is some basic  
10 information available really which rings the danger  
11 bell if the rate is getting to the point where it  
12 should be costed individually. If these danger bells  
13 are rung each movement in this area becomes costed  
14 individually.

15 Q. I see; and they are bench marks in the  
16 Canadian Pacific and danger bells in the Canadian  
17 National?

18 A. That is right.

19 Q. But your practice is much the same?

20 A. I don't think there is the slightest  
21 difference between the situation as described by  
22 Mr. Roberts, I think it was, and what we do. It is  
23 just exactly the same policy.

24 Q. That is all I have on your part of  
25 the submission, thank you, Mr. Hart.

26  
27 CROSS-EXAMINATION BY MR. BLAIR:

28 MR. BLAIR: Mr. Chairman, I am appearing  
29 this morning on behalf of Mr. Brazier who cannot be  
30 here this week. The questions I propose to ask are







1  
2 asked on behalf of the Government of the Province of  
3 British Columbia. The first thing I would like to  
4 say is that it is a pleasant duty to be able to  
5 compliment the Canadian National Railways on its  
6 refined and constructive presentation to the Commission.  
7 There is very much in this submission with which the  
8 Province of British Columbia agrees, and my cross-  
9 examination is going to be directed mainly to drawing  
10 out certain points which Mr. Hart has made in his  
11 statement and in his replies to Mr. Cooper.

12 Q. Mr. Hart, I would like to first direct  
13 your attention to page 3 of your evidence?

14 A. Yes, I have it.

15 Q. And particularly to the first para-  
16 graph, the second full sentence where you say, "These  
17 facts point to the need for further changes in pricing  
18 policy in order to attract a greater volume of freight  
19 traffic to the rails . . .", and so on. Throughout  
20 the presentation there is a reference to the necessity  
21 for a change in pricing policy: what, in your opinion,  
22 are the inadequacies of the present pricing policy?

23 A. I would say that in general there are  
24 no inadequacies as far as looking at the things which  
25 are being done today are concerned. I say that the  
26 inadequacies, if such there are, arise from the fact  
27 that we have not been able as yet to fully implement  
28 some of the things described in our brief or, I might  
29 almost say, to make little more than a -- well, a good  
30 start towards the end we believe we have to reach.





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Q. But, you have referred to making a start?

A. Yes.

Q. You are departing from some type of traditional pricing policies?

A. Yes, we are; the incentive rates are what I am referring to largely here when I say the changes are being made, yes. You can say, voluntary cuts.

Q. If you were asked to describe the kind of policy you are departing from, it is the original value of service policy of pricing?

A. Yes, if by that you are only thinking of value of service, yes; but, still, as I explained to Mr. Cooper, there must always be a portion of the value of service built into your rate structure varying in the type of rate you are making, but this is the area where you are building up what you get in your variable cost plus, that people have been talked about. That "plus" is the area of value of service or variation, if you want to use the term in a lot of these rates we publish.

Q. So, you are trying to get away from undue emphasis on value of service?

A. Yes, I would say there is no undue emphasis on value of service on the Canadian railways today.

Q. In the second paragraph of this page there is a reference to the fact that other major railways in North America face the same general problems.







1  
2 This is a reference to American as well as Canadian  
3 railways?

4 A. Yes.

5 Q. And I take it it is the judgment of your-  
6 self and your company that by and large the situation  
7 which these railways face is the same, be they in  
8 Canada or the United States?

9 A. I think yes, in broad principle. There  
10 are many individual differences, Mr. Blair, but in  
11 broad principle there is having moved over a certain  
12 number of years from basically a monopoly industry  
13 into an extremely highly competitive one.

14 Q. When in a publication such as "Railway  
15 Age", May 30th, 1960, in an editorial one reads,  
16 "There is no longer any point in classifying commodities  
17 in relation to their market value", this is a common  
18 generalization which applies to both American and  
19 Canadian railways?

20 A. It is not a common generalization that  
21 I would accept.

22 Q. You would have some qualifications?

23 A. Definitely. If what is meant there  
24 is that there is no longer any need for the Classifi-  
25 cation, I don't think this is so.

26 Q. "Classifying commodities in relation  
27 to their market value"?

28 A. Because this is value of service again,  
29 and I am afraid I can't agree to the position that  
30 value of service will ever totally disappear from our





1  
2 rate structure, and there certainly is a necessity for  
3 value of service in varying degrees depending on what  
4 area you are talking about.

5 Q. By "value of service" do you mean that  
6 your pricing is related to the value that the commodity  
7 has on the market?

8 A. The value that the commodity has on the  
9 market because this gives you some indication, at least,  
10 of the amount of transportation charge that it can  
11 accept in its movement.

12 Q. This becomes part of, and perhaps a  
13 smaller part of, the pricing technique of the future?

14 A. Yes, I believe it is of declining  
15 importance, but within the foreseeable future will never  
16 disappear. It will always be a necessity, I think,  
17 not only on rail pricing but on any type of pricing.

18 Q. Mr. Hart, I turn next to page 5: in  
19 the opening sentence you refer to the fact that the  
20 railway rate structure is presently in a state of  
21 transition from its original rigidity to a more  
22 flexible state. What would you say is the reason  
23 for the original rigidity of the rate structure?

24 A. You had a non-competitive industry;  
25 you had a monopoly industry in which really you could  
26 set up a rigid rate structure and it fitted very well;  
27 it was a first-rate method of railway pricing in the  
28 days of monopoly. What has changed that, of course,  
29 from that part of my answer is very obvious -- it is  
30 the competition, whether we liked it or not, that has







1  
2 forced us from a rigid freight definitely defined  
3 classification and class rate system to implementing  
4 many different types of commodity and competitive  
5 rates to meet varying conditions.

6 Q. So that of the three factors which you  
7 mentioned later in that sentence, carrier competition,  
8 commodity market conditions, and government action, it  
9 is carrier competition which has been the chief  
10 influence in forcing you from the old rate structure?

11 A. It is always pretty hard for anybody  
12 in my position to sort of delineate, "one, two, three".  
13 I would say they are all important factors, and cer-  
14 tainly by my answer I am not trying to say carrier  
15 competition is not an extremely important one. But  
16 really, I suppose, I can say I haven't studied them  
17 from the point of view of which was the most important,  
18 but certainly any one of them can be considered as a  
19 most important force on the changing of our rate structure.

20 Q. What type of government action do you  
21 have reference to?

22 A. I was thinking there of a change in  
23 the Maritime Freight Rates Act, the two rollbacks --  
24 I don't know whether there were any others.

25 THE CHAIRMAN: Building highways?

26 THE WITNESS: Bridge subsidies, building  
27 highways, and building canals, and things of this sort.  
28 Of course, we are asking for a little less rigidity  
29 in another area: in the Crow's Nest area.

30 THE CHAIRMAN: We have heard that.





1  
2 MR. SINCLAIR: All we want is that you don't  
3 forget it, Mr. Chairman.

4 MR. BLAIR: Q. Mr. Hart, may I turn next  
5 to page 7 and to the bottom paragraph on page 7, the  
6 second sentence, where you refer to traffic loss  
7 due to a continuing though declining emphasis on the  
8 value of service. Just why and how was that traffic  
9 lost?

10 A. Traffic is lost basically only by two  
11 ways: one, by your competitor having a lower price --  
12 or, better service, or some combination of those two.

13 Q. And what you really are saying is that  
14 the railway rates remain unduly rigid and high in the  
15 face of a competitive situation?

16 A. They remain that way, yes, and really  
17 what we are saying now is that we are taking positive  
18 and we hope reasonably quick action to take those  
19 portions that are left of this type of rate making,  
20 put in the competitive area, and putting them into a  
21 really true competitive shape.

22 Q. Just viewing the railway rate structure  
23 in the round: would you say it has worked and that it  
24 is now working well?

25 A. It has worked?

26 Q. That it has worked well?

27 A. Yes, I think it worked extremely well.  
28 I think we can say at one time the rate structure  
29 worked extremely well because really there were no  
30 competitive influences on it.







1  
2 Q. This was when the monopoly condition  
3 existed?

4 A. I would say at any given point in time  
5 there are changes coming from the railways and their  
6 competition seesawing in this competitive battle, so  
7 that at any given point in time we may be a little  
8 ahead or a little behind our competition. At the  
9 moment all I can say is, perhaps, that I don't like  
10 as far as we, the C.N.R., are concerned to see the  
11 loss of a percentage of the market. To me this is  
12 an extreme danger signal. This is why we are urging  
13 ourselves on at the greatest rate possible into the  
14 fully -- using an all-out approach on a competitive  
15 pricing technique which we have described which, as  
16 I said earlier, is nothing new. It is emphasis  
17 rather than principle that we are talking about.

18 Q. Your view appears to be that you cannot  
19 complacently continue to apply old techniques of  
20 pricing?

21 A. No, far from it. We don't want to get  
22 this idea across at all that we will complacently  
23 accept any technique, old or new, but I don't think  
24 we should necessarily say because something is old  
25 that it is ipso facto wrong.

26 Q. But what you do appear to be saying is  
27 that through undue emphasis on or attachment to an  
28 older technique of pricing that you lost the traffic?

29 A. In this instance in the competitive  
30 field I think perhaps we have lost traffic for not





1  
2 being quite as aggressive as we should have been in the  
3 competitive area. I think those have changed over  
4 the last several years so that the railways are much  
5 more aggressive in this competitive field, and we  
6 must continue to be because it is a rough league.

7  
8 ---Luncheon adjournment.







1  
2 ---On resuming at 2.00 p.m.

3  
4 THE CHAIRMAN: Order, please. Mr. Blair?

5 MR. BLAIR: Q. Mr. Hart, turning now to  
6 page 8 of your evidence, in the last two paragraphs  
7 as on the whole of the page you refer to the loss of  
8 traffic to other media of transportation, particularly  
9 highways and pipe lines and it would be safe to say  
10 that you regard those as ---?

11 A. Yes, there is one other form of com-  
12 petition that I may not have mentioned, and that is  
13 just a little more subtle one -- the question of plant  
14 relocation which works against our transportation busi-  
15 ness, too.

16 Q. This is the centralization of industry  
17 which is obviously occurring?

18 A. Yes, yes.

19 THE CHAIRMAN: What about the St. Lawrence  
20 Seaway?

21 THE WITNESS: Yes, very much so, sir. Any  
22 highways, seaways, canals, anything of this sort are  
23 not helpful to the rail transportation business.

24 MR. BLAIR: Q. So that all of these things  
25 attack the available traffic which the railways can  
26 get?

27 A. Yes.

28 Q. I suppose it would be correct to say  
29 that these new media not only take new traffic but they  
30 take traffic which railways had carried heretofore?





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A. That is correct.

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Q. So that the amount of traffic they take represents a withdrawal, as it were, of the traffic previously carried by the railway?

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A. In the total state of our present knowledge, yes, very definitely they have taken business that we formerly handled. In the total growth of the industry, I must just say that we are not certain at what balance we have reached, but basically they have taken business that we formerly handled, and the growth of Canada has given us new business. There has been an upward or maintaining of, perhaps, say, gross ton miles; but, nevertheless, a falling in the percentage of market because of pipe line, canal, highways and all the other media of mass transportation that have been developed.

18

19

20

Q. You have maintained your position in the aggregate, but relatively speaking you have fallen --- ?

21

22

23

A. Oh, relatively speaking, according to DBS figures we have fallen as shown on page 8 of our brief.

24

25

26

27

28

Q. On page 8, the second last paragraph, there are figures given that show that between 1948 and 1958 what might be called competitive rates have tripled to cover three times the traffic in 1958 that they did in 1949?

29

30

A. A minor correction -- yes, 1949. That is right. Twelve and one-half per cent to 37 per cent.







1

2 Q. Have you any figures for the year 1959?

3 A. Yes, I think it is 42 or  $42\frac{1}{2}$  per cent.

4 It is growing, yes.

5 Q. Between 1958, when the figure was  
6 37 per cent, and 1959,  $42\frac{1}{2}$  per cent?

7 A. Forty-two or  $42\frac{1}{2}$  per cent. I have  
8 forgotten exactly, but it is of that order.

9 Q. This is an increase of one-seventh in one  
10 year?

11 A. Five per cent of ---

12 Q. Fifteen per cent?

13 A. I will say for certain that I know it  
14 has grown from 37 to over 42. The arithmetic will  
15 have to speak for itself.

16 Q. And you rather indicate that this  
17 momentum or this scale of growth of the competitive  
18 sector is continuing in this current year?

19 A. Yes, and you have to remember that this  
20 is an echoing of two things: of competition, of course,  
21 and also an echoing of our movement towards incentive  
22 rates and things of that sort approaching more aggressive-  
23 ly, I hope, as we have done for several years in the  
24 past.

25 Q. In other words, what you are saying is  
26 that your company is now trying to move ahead of this  
27 damaging trend rather than fall in its wake?

28 A. Well, the railroads are, yes.

29 Q. Yes.

30 Turning to page 9 in the top paragraph you





1  
2 indicate that the competitive situation is going to  
3 continue, if not increase in intensity in the next  
4 few years?

5 A. What we are trying to say there is that  
6 the full complex of the distribution industry, taking  
7 everything into account, is going to sort of call for  
8 us to be, well, to meet constant and growing com-  
9 petition, be it in the area of building new highways,  
10 new canals, or whatever, and also these other matters  
11 of shippers' own desires and moves to counter distri-  
12 bution costs by changing patterns of packaging and  
13 so forth.

14 Q. Mr. Hart, if in the year 1959 something  
15 like  $42\frac{1}{2}$  per cent of your traffic is governed by  
16 these competitive rates, what would you predict the  
17 dimensions would be, say, five years from now?

18 A. I don't know. It is growing. It is  
19 growing, yes. There is no question about it. But,  
20 to put a figure on it, I would just have to say I do  
21 not know.

22 Q. Your company has not projected its  
23 thinking that far?

24 A. We have not projected our thinking  
25 into trying to calculate a percentage of what our  
26 competitive rates are going to be five years hence.  
27 Certain it is, as I mentioned earlier, that we are  
28 doing a good deal of work in this area. I do not  
29 think this is, perhaps, necessarily a good indicator  
30 of force of competition or anything of the sort. It







1  
2 may be a good indicator of the activities the railroads  
3 are carrying out to meet competition. "

4 Another of the difficulties, of course, is  
5 the question of the residual amount: what will be left  
6 with the growth of the northland and things of this  
7 sort, that may be growing as quickly as we are growing  
8 in the competitive area. So this is what I mean,  
9 to strike a percentage of overall is not a particularly  
10 good indicator.

11 Q. And you are just not in a position to  
12 make that kind of a relation?

13 A. No, I am not. I would be afraid to.

14 Q. If I could ask you to look more or less  
15 collectively at pages 9 and 10, that part of your  
16 presentation entitled "The pricing policy for the  
17 future".

18 The first question I would like to ask is  
19 perhaps for you to say again, if you don't mind, what  
20 is this competitive pricing technique?

21 A. Well, basically the competitive pricing  
22 technique is technique whereby we study our whole  
23 pattern of carryings in an area, and we study it  
24 against one, the amount of traffic that we are  
25 carrying; two, against the amount of traffic that  
26 we calculate is moving within that area; and three,  
27 against the cost pattern of the railroads; and, four,  
28 against the cost pattern of the competitive form of  
29 transportation, whatever it might be.

30 Then, having established those patterns we





1  
2 then attempt to set our rates in such a way that we  
3 will attract a greater amount of traffic to the rail-  
4 roads by adjusting, and I mean adjusting downward,  
5 our rates so that we will attract a greater amount  
6 of traffic. And, in addition -- not in addition, but as  
7 a corollary, or a thing that follows automatically -  
8 a greater net for the railway.

9 That is one.. The other side of it is a study  
10 of the transportation characteristics of the railroad  
11 and the competing form of transportation so that we  
12 have the incentive rates whereby if the shipper loads  
13 heavier amounts his rates go down.

14 In other words, there is a sharing between  
15 the shipper and the railroads to encourage the shipper  
16 to ship larger amounts, which works to our very  
17 efficiency so we gather more out of the net position  
18 again.

19 Q. The impression I have is that the new  
20 technique is based upon extensive research, the  
21 collection of all kinds of statistics and data with  
22 no hesitancy on the part of the railway to undertake  
23 detailed investigation?

24 A. No. No hesitancy at all. But, like  
25 everything else, there are a certain number of bodies  
26 available to do certain jobs, and we are growing with  
27 these things and we are learning things as we go  
28 along. But I suppose, to answer your question, cer-  
29 tainly no hesitancy to undertake any detailed  
30 research work that will work to the advantage of the







1  
2 railroad.

3 Q. Would it be fair to say that a very  
4 important part of this new technique is cost orienta-  
5 tion directed to the movement of particular commo-  
6 dities?

7 A. Costs are very important, yes, Mr. Blair.

8 Q. And it is not, apparently, your view  
9 that this is too complex a task to be unworkable?

10 A. It is tremendously complex and  
11 tremendously time consuming, but we believe that it  
12 has to be done.

13 I might say, for instance, within our own  
14 costing group -- and this is only the headquarters  
15 costing group, because we have small regional groups  
16 -- for instance, we have carried out 500 cost projects.  
17 This may mean a project may have two or three hundred  
18 different costing jobs written into it. So, it is a  
19 tremendously big job, but one that we are moving into  
20 and facing up to.

21 Q. And, obviously, one that you are not  
22 shirking just because it may be difficult to perform?

23 A. No, we are not.

24 THE CHAIRMAN: And you say you must get  
25 cost plus?

26 THE WITNESS: Very much so.

27 THE CHAIRMAN: And plus the variable?

28 THE WITNESS: Cost, being in the variable  
29 cost, plus, and what we get plus is a negotiated  
30 figure, or is worked by some other reason: the cost





1  
2 of your competition and all these other factors we  
3 have discussed.

4 THE CHAIRMAN: It cannot be fixed?

5 THE WITNESS: No, sir, it cannot be fixed.

6 MR. BLAIR: Q. One thing I gathered as  
7 I listened to you say to Mr. Cooper -- and I think you  
8 just repeated it now -- that this has enabled the  
9 railway to get a better understanding of its own  
10 business; of the economics of transportation itself?

11 A. A more detailed knowledge. We were  
12 short in some detailed facts that are necessary in  
13 this type of a climate and these are the sort of  
14 things that we are moving towards now.

15 Q. Turning to page 11, without wishing  
16 to be unduly repetitious, in the second paragraph, the  
17 last sentence, this occurs:

18 "It is equally important that the utmost  
19 flexibility be retained to allow the  
20 railway to adapt to individual circum-  
21 stances."

22 Now, am I correct in thinking that this flexibility  
23 will come about because of the greater knowledge  
24 which you will have as a result of your statistical  
25 and other studies?

26 A. Well, this is why we need the flexibility,  
27 because we are going to have the knowledge. But, even  
28 without the knowledge, flexibility is terribly impor-  
29 tant so that you can meet the competitive situation  
30 quickly.







1  
2 One of our difficulties has been that  
3 because of certain regulatory matters that are  
4 handicapping us, we have not been able to meet com-  
5 petition as quickly as we feel it is necessary in a  
6 highly competitive business -- when it was not as  
7 necessary, when it tended more towards monopoly.

8 Q. The lack of flexibility, then, has  
9 arisen not only because of the rate structure, and  
10 perhaps what one might call without offence the  
11 traditional way of making rates, but also because of  
12 the regulatory environment?

13 A. Just where the grey areas -- they are  
14 all wrapped up into one package, and they both have  
15 had -- for instance, talk about rigidity of the rate  
16 system or rate pattern of the past. Some parts of  
17 that, of course, are indicated and required as a  
18 result of regulation. So that is why I say that  
19 these things intertwine one to the other.

20 Q. So that some of your recommendations  
21 for detailed changes in the law arise from your  
22 desire to attain greater flexibility?

23 A. Greater flexibility and greater  
24 freedom to meet the competitive situation as quickly  
25 as we think is necessary.

26 Q. Am I correct in thinking that you have  
27 found some inflexibility imposed upon you because  
28 of the necessity of justifying competitive rates in  
29 a particular pattern?

30 A. Well, this is what we found very





1  
2 definitely, although, once again, I must say something  
3 I said this morning, that at the present time the  
4 Board itself has required relatively few investigations  
5 from us of competitive rates, but every time that we  
6 have one of these things -- this is in the minds of  
7 the people that are making the rates -- what I would  
8 like to do is to think we would get into the position  
9 with the adequate safeguards of a business industry;  
10 to know we would be just as quick and aggressive and  
11 smart in reacting to competition as our competitors  
12 are under their regulatory climate.

13 Q. Are you suggesting that every time  
14 a competitive situation arises, even though you do  
15 not have to come to the Board to get approval,  
16 in the back of your minds you are thinking of all the  
17 details required?

18 A. Yes, very much so. It has an  
19 inhibiting effect.

20 Q. Looking at the very bottom of page 11,  
21 you give three items of regulation. I am a little  
22 puzzled at the last one which says the rates should  
23 not be lower than necessary to meet competition.  
24 What do you mean by that?

25 A. What I mean -- in the first place, as  
26 I said, I designed it in my statement a little earlier,  
27 on what we have in a transportation industry, but  
28 basically we do not think we need anything in this  
29 area. That is based from the point of view that if  
30 you are not maximizing your net on a given rate it







1  
2 throws the burden on other rates, so that if the rate  
3 is one cent or five cents too low here it must be  
4 picked up somewhere else, so the statement means that  
5 the rate should hit at the proper level to meet  
6 competition, maximizing the net out of that specific  
7 rate so it is not transferring a burden.

8 Q. I have two separate questions arising  
9 out of that. Do you not think that this kind of  
10 test is going to impose an equal burden or an equal  
11 shadow of doubt on your operations in the future?  
12 What is a rate that is lower than necessary to meet  
13 competition?

14 A. We have worked under this type of  
15 regulation, and you will find, if I remember correctly,  
16 in both the Railway Act -- I am not certain of the  
17 Railway Act, but certainly in the old Transport Act,  
18 and it is still one of the tests on complaints that  
19 is assessed under the Transport Act, and it has never  
20 proven any burden to us, even in the days when we  
21 had to specifically debate a great many of our agreed  
22 charges. A rate that is not lower than necessary  
23 to meet competition, after all, has to be to a large  
24 degree in the judgment of your trade negotiators, and  
25 under the regulation system that we have now, anyhow,  
26 the people in the Board of Transport Commissioners  
27 who are in the traffic branch, too, are skilled  
28 in this and have a feeling for this sort of thing.  
29 All I can say is this: that has not caused us any  
30 great hardship.





1  
2 Q. The other question I have to ask is  
3 why don't you leave it to the play of the market?  
4 If you don't put a floor underneath these rates, is  
5 it possible that you will fix them at a level which  
6 will truly maximize traffic on a particular com-  
7 modity?

8 A. We believe we will do it under that.  
9 If you are suggesting to me that whether the C.N.R.  
10 itself needs that, I say no, because this is what we  
11 are doing now, we believe: we are maximizing our net  
12 so our rates are not lower than necessary to meet  
13 the competition.

14 Q. Am I correct in thinking that this item C  
15 really is a bow in the direction of the present  
16 system of regulation?

17 A. Well, as I said earlier under cross-  
18 examination by Mr. Cooper, that we are sort of  
19 approaching this thing in perhaps three bounds, and  
20 this is one of the bounds, that if it is necessary  
21 to have some regulation, this is the most regulation  
22 that we can expect in a highly competitive field.  
23  
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1  
2 Q. Turning to page 12 there is in this  
3 third line, you refer to the inherent advantages of  
4 rail transport. What do you mean or what do you  
5 include in the "inherent advantages of rail transport"?

6 A. Well, the basic inherent advantage is  
7 its cost structure which nobody has found a better way  
8 to defeat friction by a wheel against a steel rail so  
9 we can move quantity goods at a cheaper rate. What we  
10 are suggesting is it should be left to the railroads  
11 to reflect its inherent advantage. Other forms of  
12 transportation have other inherent advantages but this  
13 is our basic one.

14 Q. I suppose this advantage exists in  
15 different degrees, for instance, long haul traffic?

16 A. Yes and no. We have the ability to  
17 move large amounts of goods in long hauls but that does  
18 not mean that competition does not hit you in the long  
19 haul. The inherent advantage of trucks perhaps could  
20 be said to be, or one of them, in any event, is their  
21 basic flexibility of service. Our trains from Toronto  
22 to Edmonton cannot leave every fifteen minutes but you  
23 can get a truck that will pull out every fifteen  
24 minutes. That is why I suggest that there must always  
25 be a balance, an equalization, perhaps, whereby you  
26 have the advantages of transportation and then of  
27 costs of the railroads and subtract from that the  
28 competitor and then out of the other end comes the  
29 basic fact of what is the best move.

30 Q. But, basically, the advantage you would





1  
2 expect is on the long hauls and also on main line  
3 traffic?

4 A. Yes, I would say basically that is so as  
5 a generalization.

6 Q. And is it envisaged that in the future  
7 you are fully engaged in the practices of competitive  
8 pricing with the advantages which are inherent, say,  
9 in long hauls and in main line traffic would be arranged  
10 with the shippers?

11 A. It is being done now to some degree and  
12 will continue to be done and being accentuated as we  
13 move along. Yes.

14 Q. I do not want to take up your time talking  
15 about the definition of captive traffic but I take it  
16 from your answers to Mr. Cooper that the last two lines  
17 in the first paragraph on page 12:

18 "To the advantage of shippers who have no  
19 practical alternative to rail transport."

20 That this is in effect your definition of what  
21 is called captive traffic?

22 A. Yes, or functional monopoly.

23 Q. Or functional monopoly. Now, in the  
24 next paragraph you refer to the well known yardstick  
25 used to measure justness and reasonableness and I gather  
26 from the context of this that this concept of justness  
27 and reasonableness will apply primarily to the  
28 determination of the rates on captive traffic?

29 A. That is right.

30 Q. Now that are these criteria of justice and







1  
2 reasonableness?

3 A. Well, first is the question of relating  
4 it into the rate structure, to make certain it fits in  
5 its own pattern. Secondly is to move the traffic and,  
6 thirdly, looking at it as just and reasonable from  
7 individual shipper and railroad, it is making its  
8 maximum contribution to the railway coffers.

9 Q. In your context you mention the permissive  
10 level of earnings of the Canadian Pacific which really  
11 gets built into it the concept of just and reasonable?

12 A. Only from the viewpoint of the railway  
13 industry as a whole because it could be said that if the  
14 Canadian National was the yardstick with our present  
15 plans and present disabilities that the permissive level  
16 or level of rates based on the permissive level for the  
17 Canadian National Railways could be higher. On the other  
18 hand, the permissive level in just and reasonable rates  
19 does not come into play unless for some strange,  
20 accidental reason, some rate is published above that  
21 class rate scheme which I believe is impossible.

22 Q. When you use the words "just and  
23 reasonable" then you are talking mainly of their effect  
24 on railway management and finance rather than their  
25 relationship to cost?

26 A. Oh no, I am not. I am sorry, I obviously  
27 did not get my point across. I say that the yardstock  
28 company in its requirements sets a ceiling set of rates  
29 and I would say it would be impossible, in my under-  
30 standing, that that would play any part in just and





1  
2 reasonable rates and that any rate would be above that  
3 and brought below that because we have exceeded the  
4 ceiling rate. This is the only time it would apply in  
5 part in a rate reduction but under that ceiling the  
6 question of just and reasonableness fluctuates by the  
7 tests I mentioned a moment ago.

8 Q. These tests are an internal hearing on  
9 rates?

10 A. The ability to move and its making a  
11 contribution, those are the major ones that hit me now.

12 Q. But in the essence it is not related  
13 so much as to cost as to the other factors?

14 A. As to the value of service and ability to  
15 pay.

16 Q. And so far as permissive level of  
17 earnings although you would not agree this is the  
18 determinant of justness and reasonableness within the  
19 ceiling?

20 A. It sets the ceiling beyond which -- it  
21 sets a ceiling, a class rate beyond which you cannot  
22 go.

23 Q. And when you talk about captive traffic,  
24 to use that word, you really are most concerned about  
25 ceilings at this stage so that the captive traffic is  
26 likely to find its rates geared to the permissive level?

27 A. Perhaps I have given the wrong impression.  
28 Some captive traffic is not high rated traffic. Captive  
29 traffic when you consider it in the order of functional  
30 monopoly is -- a great deal of it will always continue







1  
2 to be your low value traffic with your iron ore and  
3 things of that sort which require to be held down by  
4 this force of value of service. Value of service does  
5 not only put your rates on the high side, sometimes it  
6 is on the low side and many times it works on the low  
7 side.

8 Q. There is one point which I have mentioned  
9 before in cross-examination of another witness having  
10 to do with the justness and reasonableness of rates.  
11 Just as an original question, is it just and reasonable  
12 that it should cost three times as much to transport  
13 grain to the city of Vancouver from the Prairies for  
14 domestic use as it does to take it there when it is for  
15 export?

16 A. I think the answer to that always is that  
17 conditions are not similar.

18 Q. But surely this indicates, does it not,  
19 that justness and reasonableness must be viewed, to  
20 some considerable degree, in relation to cost?

21 A. And within the regulatory framework in  
22 which you happen to be working because I have, as you  
23 well know, and, it is not the railway's desire to keep  
24 the rates to Vancouver on export down to their present  
25 level.

26 Q. I think that you probably have had an  
27 opportunity to consider the submission which has been  
28 made to the Royal Commission by the province of British  
29 Columbia and I wondered whether you are in a position  
30 now to comment upon this submission and particularly the





1  
2 cost of service principle which it has advocated?

3 A. Well, as I said earlier on, I could  
4 comment on this but I think my comment will be based on  
5 a reasonably superficial examination and I would prefer  
6 -- I am not certain I would be of any great help to  
7 the Commission. We find difficulties in this but we  
8 still could only say that our understanding of the  
9 figures arises from looking at the thing and not being  
10 able to truly -- this we cannot do, we have carried  
11 out by means of accurate information on our traffic  
12 movement we have carried out any sort of actual or  
13 intensive examination of this scheme so it would only  
14 be against that background that I could comment.

15 Q. I take it from what you have just said  
16 and what you said this morning that it is your intention  
17 to use your statistical data?

18 A. Very much so.

19 Q. To test it?

20 A. Very much so.

21 Q. Is it not fair to say that there is some  
22 common ground between the proposal you have made and the  
23 proposal made by the government of British Columbia --  
24 considerable common ground?

25 A. That covers a fairly wide field.

26 Q. Perhaps it is unfair to put the question  
27 to you in that way, at least as one who comes here only  
28 occasionally. I would say that there is common ground  
29 that the floor should be variable cost?

30 A. Yes.







1  
2 Q. And is it not also true to say that  
3 where there is a competitive situation that your  
4 submission, along with that of the province of British  
5 Columbia, envisages that the contribution above variable  
6 costs will be determined by the conditions of the  
7 market?

8 A. That is right, yes.

9 Q. Well then, does this not mean then that  
10 the only area of disagreement, fundamentally, is what  
11 happens to traffic which is non-competitive or, in a  
12 sense ---

13 A. The only thing -- I think that is in  
14 general right, that we are not certain that the idea  
15 as proposed of maximum rate schedules for captive  
16 traffic, we are not certain that this will do the two  
17 things that I consider are necessary that you are  
18 trying to bring about by your proposal. One is, as I  
19 understand it, to maintain the revenue requirements of  
20 the railroad and make certain they are kept healthy  
21 financially and, secondly, to relieve the burden in  
22 the economic terms on the long haul traffic. We are  
23 not certain this will do that and it is only against  
24 that background that I am speaking.

25 Q. So the area of difference is ---

26 A. If it is an area of difference, I am  
27 not certain. I think too we would have to register at  
28 the moment we are not ready to accept your proposal  
29 holus bolus because we do not know what that would do  
30 to us.





1  
2 Q. Rather than have the maximum fixed by  
3 formula which the province of British Columbia have  
4 put forward you content yourself with talking of justness  
5 and reasonableness?

6 A. I think probably on reasonable rates, this  
7 is what appeals to me personally but once again that is  
8 done on a reading, perhaps not at all understanding of  
9 what has happened perhaps in Britain and perhaps we  
10 might learn something from there that it has not proved  
11 successful. The fact is it has been in the Act for some  
12 years now but perhaps gives you some feeling that it  
13 has been working for some years in the right direction.

14 Q. But there has been a unanimaty of view  
15 to recognize some of the problems, the problem of the  
16 long haul shipper?

17 A. Yes, I think we all do that, I think that  
18 the submissions to this Commission have recognized the  
19 problems that there are to be faced in transportation?

20 Q. Turning now to page 13 there is a full  
21 paragraph on that page and it indicates that you have  
22 lost confidence in general horizontal increase as a  
23 means of stabilizing the revenue picture of the  
24 railways.

25 A. I will say we are not certain but at  
26 the moment a lack of certainty leads us to believe  
27 that within the relatively near future if we had to  
28 raise money in substantial amounts we would see no  
29 method to go ahead on rather than the horizontal rate  
30 increase which we understand and know its force and







1  
2 weaknesses and strengths. On the other hand, we do  
3 not know the weaknesses and strengths of the other  
4 schemes.

5 Q. But you would resort to that type of  
6 increase as being purely a temporary transitional  
7 measure?

8 A. On the basic side in the long run we  
9 would not be able to find a better method but I would  
10 hope we would.

11 Q. You think the economy could stand another  
12 one of those horizontal increases?

13 A. Now, this of course is very successfully  
14 pushing me into a corner. The matter of quantity, how  
15 much, if you asked me if the economy could stand 100%  
16 the freight rate increases or a 50% freight rate  
17 increase I would quickly say no but whether it could  
18 absorb a mass bracket of freight rate increases of 1%  
19 I would say yes. I think it is certainly a question of  
20 degree, not of principle at the very moment which would  
21 have to be studied as a matter of its absolute impact  
22 in dollar amounts.

23 Q. And, also, I suppose there would be an  
24 agreement that in view of the fact that it is a  
25 constantly increasing burden on a constantly diminishing  
26 portion of traffic ---?

27 A. It is a constantly increasing burden  
28 put on the railroads. We have had to find a  
29 constantly increasing amount of money but, once again,  
30 for long range I would hope that we will find other





1  
2 means whereby we can cut our expenses and raise our  
3 revenues. I would hate to think I am giving the idea  
4 that the whole success of the proposal put forward by  
5 the Canadian National Railways is in the rate area  
6 because this is a package that we are proposing to cure  
7 anyone of them. Taking each individually will not cure  
8 the ill, in our opinion, but the whole package we have  
9 offered would.

10 Q. I think it would be part of our submission  
11 that you cannot deal with it in little pieces and I think  
12 you realize the questions are being asked with that  
13 fundamental point of view in mind. On the positive side  
14 you said something to Mr. Cooper and I did not quite  
15 hear it all properly about what might happen if you  
16 were able to have a majority of the recommendations you  
17 made adopted, that you would then be able to set down  
18 with the Board of Transport Commissioners and sort of  
19 rebuild the thing.

20 A. Yes, and all other parties involved, the  
21 revenue requirements, whatever they may be, if you find  
22 you have a much healthier railroad industry you are then  
23 in a position to make experiments that you just do not  
24 dare take the chance on doing now. If we were a lot  
25 healthier now it may be that we would be prepared to  
26 take a risk, a calculated risk in certain areas which  
27 now, with the unhealthiness of our own economy and the  
28 lack of sufficient statistical information we are  
29 extremely hesitant to say the least.

30 Q. I think one easy question is, that your







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railway favour the continuance of the bridge subsidy?

A. Yes, I think we favour the continuance of the bridge subsidy very definitely because it has the effect of what I think your major proposal is, it is depressing the long haul rates and I think this is worth while from a railroad point of view.

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1  
2 Q. When you speak of long haul you mean  
3 long haul from east to west?

4 A. I mean, of course, over the piece of  
5 the country to which it applies.

6 Q. There are other long hauls in the  
7 country which obviously don't benefit from this kind  
8 of subsidy?

9 A. That is true.

10 THE CHAIRMAN: West to east?

11 THE WITNESS: From the midwest to the far  
12 west, sir, I suspect, Mr. Chairman.

13 MR. BLAIR: Q. It is a long way from  
14 Vancouver to Winnipeg?

15 A. It certainly is.

16 Q. You have mentioned the incentive rates,  
17 and I gather from what you have said that you favour  
18 them?

19 A. Oh, positively yes.

20 Q. These incentive rates, as I understand  
21 them -- I have one tariff entitled CM-195?

22 A. Yes.

23 Q. This tariff appears to deal with a  
24 large number of different types of commodities, such  
25 as acid, bags, brass ingots, candy, conduit pipe,  
26 elevators, lamps, and so forth?

27 A. Yes.

28 Q. All of which move at the same rates, and  
29 the rates vary depending on the weight loaded in each  
30 car?







1  
2 A. Yes. There are a lot of things in  
3 195, as I remember it, but certainly the incentive  
4 rates are in there too.

5 Q. The rate is high when the car is loaded  
6 to 20,000 pounds, and reduced if it is loaded, say,  
7 to 60,000 pounds?

8 A. This may be a matter of degree, but I  
9 don't think the rate at 20,000 pounds is high. It is  
10 "low, lower and lowest," and not "high, higher and  
11 highest". These are reduced, yes.

12 Q. Some are more reduced than others. But,  
13 this is obviously a cost oriented operation?

14 A. Yes, this is an echoing of the railways'  
15 efficiencies.

16 Q. And these rates -- I have heard the  
17 remark -- these rates are tied to the cost of movement?  
18 If you have a car well loaded it costs less?

19 A. That is right -- I do prefer to use the  
20 term that they echo the railways' efficiencies in  
21 heavier rates.

22 Q. Would it be feasible, in your view, to  
23 have maximum rates which were created on the same basis?

24 A. By this you mean put a sort of an  
25 incentive principle into the classification?

26 Q. Yes.

27 A. And have it applied to the class rates?

28 Q. Yes.

29 A. Some of that has been done, and I have  
30 forgotten the detail, but I think there are two or





1  
2 three cases whereby with heavier weights the classifi-  
3 cation or rating goes down. Basically, in principle,  
4 I don't think it makes much difference. The only  
5 trouble with the classification is that it is a bit  
6 more rigid. I prefer the straight tariff method of  
7 meeting each individual situation. I think it  
8 maintains the flexibility required in the competitive  
9 field. If you put it into the classification there  
10 are certain regulatory steps which you have to take to  
11 change that, and I think we can do it as successfully  
12 and more quickly by tariff action, but I don't think  
13 there is much difference between us in principle.

14 MR. BLAIR: I am sorry, Mr. Chairman, I took  
15 longer than I said.

16  
17 CROSS-EXAMINATION BY MR. SMITH:

18 Q. There are some minor matters I would like  
19 to ask you about, Mr. Hart.

20 At page 68 you are dealing there with the  
21 question of quantity rates?

22 A. Yes, sir.

23 Q. Mr. Cooper asked you some questions on  
24 that point, and just to clarify the situation in my  
25 own mind would you tell me if my understanding is  
26 correct that you are asking the right to make quantity  
27 rates only to competitive situations?

28 A. No, I don't think so, Mr. Smith.

29 Q. Would these quantity rates apply to non-  
30 competitive traffic?







1  
2 A. Yes, it would make for ease there in the  
3 fact that we could tie -- for instance, if there were  
4 a large mine starting to operate which would be in  
5 the functional monopoly area and we could make a rate  
6 with him that would be predicated upon his ability to  
7 ship, say, one hundred tons or one hundred thousand  
8 tons a year.

9 Q. Could you do that by means of calculating  
10 how much you could carry in a carload?

11 A. Yes, but you always come back to the  
12 point when this would be normal commodity rates, if  
13 you publish them on a carload basis.

14 Q. Yes?

15 A. That would be applicable -- at least, it  
16 would be one test that would be thrown against us,  
17 perhaps, and raised in some other parts of the country.  
18 I prefer to be able to isolate it and tell people why  
19 we are moving the goods, which is because we are going  
20 to get one hundred thousand tons of traffic.

21 Q. My suggestion is that possibly if you  
22 could make non-competitive rates on a quantity basis  
23 you might be injuring or conferring prejudice upon a  
24 small shipper as contrasted with the large shipper?

25 A. I don't think this is the case. This  
26 is certainly not in our mind, and I don't see how it  
27 could do that, but all we are saying is that there  
28 are inherent railroad advantages which get translated  
29 into -- our costs in large movements vary from  
30 small movements, of course -- and they could be





1  
2 translated into the floor and we negotiate above that?

3 Q. Yes.

4 A. But if you have to print that as a  
5 single car rate that becomes the car rate that will  
6 be applicable, perhaps, throughout Canada, and it  
7 is not comparing like with like. As a result I  
8 almost feel it would be helping to lift the burden on  
9 the small shipper because we would be making money out  
10 of this sort of business.

11 Q. Another matter, Mr. Hart, at page 70  
12 -- and this is not a matter of great import, I do  
13 not think, but I want to raise it: you suggest the  
14 Railway Act be amended to give authority to publish  
15 joint rail-truck rates with various trucking companies.  
16 I assume that your suggestion does not carry with it  
17 the corollary that the trucking company must also  
18 be regulated by the Board?

19 A. No.

20 Q. Or any other regulative authority?

21 A. No, it is not tied into that at all.

22 Q. I am suggesting that possibly if you  
23 are able to publish joint truck-rail rates that some  
24 of the shippers' objections to rail abandonment might  
25 disappear. What I have in mind is where a railway  
26 abandons a service without providing a substitute  
27 service by its own trucks: the shipper or receiver  
28 at the stations on the abandoned line is subject  
29 to two charges, that is to say, the railways and the  
30 truck rate, and these charges would be higher than









1  
2 if you had the previous rail rate to or from the  
3 abandoned station? If you could publish joint truck  
4 rates the shipper would not be subject to combination  
5 rates; isn't that true?

6 A. This is one possible thing but I hope I  
7 have not left the idea that in a situation such as you  
8 have just described we necessarily would have the  
9 level of the railway rates -- and if we abandoned the  
10 line it would not necessarily mean that the combination  
11 of the rail rate and the truck rate from the end point  
12 of that line to destination would be the same as the  
13 original rail rate. That would be a matter for  
14 discussion with the shipper, railroad and highway  
15 carrier.

16 Q. But it would be less, probably, than  
17 the two rates put together?

18 A. It could be, yes, but it might not be  
19 because it once again depends on what deal you can  
20 make with the highway carrier.

21 Q. That is what I wanted to find out.  
22 Coming to the question of the use of Canadian ports  
23 for export and import traffic, as I understand it,  
24 what you are asking is that you be reimbursed by the  
25 federal government for additional costs incurred in  
26 moving Canadian export-import traffic by Halifax and  
27 Saint John?

28 A. That is right.

29 Q. As contrasted with Portland?

30 A. We are not suggesting that Portland be





1  
2 used. We are not suggesting in any way that the  
3 pattern be changed. We say that the additional burden  
4 that is put on for national policy or public interest  
5 -- that we be reimbursed for that.

6 Q. I suppose you are not suggesting that  
7 the general principle that whenever it is required for  
8 certain reasons to move traffic along a more circuitous  
9 route you should be reimbursed?

10 A. No, I think the situation between  
11 central Canada and the Atlantic ports is considerably  
12 different than the one you have described.

13 Q. You recognize, of course, that export  
14 and import traffic is of the utmost importance to the  
15 Atlantic region?

16 A. And also to the Canadian National.

17 Q. And also to the Canadian National  
18 Railways?

19 A. Yes, sir, both.

20 Q. And without a utilization of your railway  
21 plant in the Atlantic provinces your revenue might be  
22 greatly reduced?

23 A. Yes, and of course ---

24 Q. Including the fact that you have recently  
25 spent quite a lot of money at your plant in Moncton?

26 A. Yes, because we are not making any  
27 suggestion that we change the route or pattern at all.  
28 All we are saying is that national policy as a result  
29 of the Act has dictated us to do something that is a  
30 straight commercial operation you wouldn't do. So,









1  
2 because of that we are not suggesting it be changed;  
3 we just suggest, pay us for our additional operating  
4 costs for so doing.

5 Q. Yes, I just want that clarified.

6 It is true, of course, that your line to Portland  
7 from central Canada is shorter than the Halifax-Saint  
8 John route?

9 A. Yes.

10 Q. But, of course, the Portland route is  
11 not shorter than, say, Toronto to the Atlantic seaboard?  
12 In other words, wouldn't the distance from Toronto to  
13 New York be less than ---

14 A. I think so, but we don't own a railway  
15 into Boston and New York.

16 Q. I know.

17 A. I say if it is a commercial operation  
18 unencumbered, Portland would be the port that we would  
19 use. We are not suggesting it would be used.

20 Q. But if you do use it . . .?

21 A. If we could use it our expenses would be  
22 lower.

23 Q. If you used the New York route would  
24 your expenses be lower in conjunction with another  
25 railway?

26 A. Well, we don't see -- the difference is  
27 there that we would be short hauling ourselves.

28 Q. Yes?

29 A. We would not, in so far as using  
30 Portland is concerned because we have the railway into





1  
2 Portland.

3 Q. But in the case of using New York?

4 A. We would be dividing our revenues with  
5 someone else and we could get the same revenue to  
6 Portland as we get to Halifax in most instances, and  
7 our operating expenses are that much lower and our net  
8 is depressed because of national policy.

9 Q. So, you would naturally send it to  
10 Portland?

11 A. Yes, if there were no national interest,  
12 and the importance of maintaining the Atlantic ports  
13 -- and I am not trying to deprecate that at all.  
14 I am suggesting that as a straight commercial opera-  
15 tion we would use the port of Portland.

16 COMMISSIONER MANN: I just wanted to get  
17 into the discussion on the joint export rates to New  
18 York and Boston, and so on. The combinations are  
19 pretty favourable on these export rates and your  
20 expenses are probably relatively low; so, wouldn't  
21 that be the optimum route for Canadian export traffic  
22 if there were no other considerations?

23 THE WITNESS: It might be. I am not certain.  
24 I can't necessarily accept what you said, but it  
25 certainly is a possibility that netwise it would be  
26 better to use the New York port. I think not, but  
27 it is still a possibility.

28 COMMISSIONER MANN: Do you happen to have the  
29 mileage, Toronto to Saint John via the C.P.R. versus  
30 Toronto to Portland, C.N. and Grand Trunk?









1  
2 THE WITNESS: I think the C.P.R. is 540.

3 MR. SMITH: Q. Toronto to Portland we  
4 have as, C.N., 628?

5 A. Right, and C.P. would be 875 or  
6 thereabouts -- you mean from Toronto.

7 Q. And Toronto to Halifax is 1107?

8 A. In that order.

9 COMMISSIONER MANN: Well, in the case of  
10 Saint John by C.N.-Grand Trunk routing, that would  
11 produce a higher mileage than C.P.R. direct routing,  
12 Toronto-Saint John, would it? Your mileage to Port-  
13 land . . .

14 THE WITNESS: . . . is shorter than the  
15 C.P.R. mileage to Saint John.

16 COMMISSIONER MANN: It is shorter, is it?

17 THE WITNESS: Yes, I think so.

18 MR. SMITH: Q. Mileage, Toronto to New York,  
19 is about 500 miles?

20 A. Something of that order, Yes.

21 Q. That is the shortest of them all?

22 A. There are several ways, but I know 500  
23 is the mileage that sticks in my mind as the short route.

24 Q. I want to ask a question with respect to  
25 the suggestion you make on page 81, Mr. Hart. You  
26 mentioned the necessity of publishing proposed changes  
27 in the classification in the Canada Gazette. As I  
28 read Section 325 of the Railway Act ---

29 A. Actually, Mr. Smith, I am not dealing  
30 with this section of it, but perhaps I can help you.





1  
2 Q. Well, perhaps you can help me.

3 A. I have to take more responsibility for  
4 other parts. This is on page 81?

5 Q. I read Section 325 which says:

6 "The company may, from time to time, with  
7 the approval of the Board, and shall, when  
8 so directed by the Board, place any goods  
9 specified by the Board in any stated  
10 class, or remove them from any one class  
11 to any other, higher or lower, class;  
12 but no goods shall be removed from a lower  
13 to a higher class until such notice as  
14 the Board determines has been given in  
15 the Canada Gazette."

16 Apparently now the situation is that notice is only  
17 required when goods are moved from a lower to a higher  
18 class?

19 A. Yes, that is true. The Canada Gazette  
20 aspect would seem to be right.

21 Q. Yes.

22 A. But for all that, there are regulatory  
23 difficulties with the classification in that you must  
24 get the specific approval from the Board on the  
25 classification changes, if my memory serves me right.

26 Q. I don't think so in the case of reduc-  
27 tions?

28 A. I think you have to get the approval of  
29 the Board, but not in the Canada Gazette. I think  
30 it says that the Board may prescribe or authorize.

---Short recess.







1  
2 THE CHAIRMAN: Order, please.

3 THE WITNESS: Mr. Smith, if I may clarify this  
4 last point that you asked me. I was wrong; there is  
5 a method whereby classification changes can be cleared  
6 quickly without the -- that is, on reduction -- without  
7 the mechanics of going through the requirements fully  
8 of section 325.

9 I might also say that these matters in here  
10 are by way of example rather -- more than, I suppose,  
11 we are saying that they are unnecessary and perhaps  
12 too restrictive. But they are by way of example of  
13 the need for a general clean-up of the Railway Act.

14 MR. SMITH: Q. Just one more question on this  
15 point.

16 On page 81, you point out that sections 326 -  
17 330 empower the company to make bylaws authorizing the  
18 issuance of tariffs of tolls, all of which require  
19 approval of the Board, and provide that no tolls may  
20 be charged without such bylaws and approval.

21 I take it that your chief objection is the  
22 having to go through the motion of having the bylaws  
23 approved by your directors?

24 A. It is the whole mechanism -- obviously,  
25 the things within the company will be done without -  
26 what is necessary for us to do within our corporate  
27 powers, but once again this is just another example  
28 of what we think as of necessary legislation being  
29 set up.

30 Q. In that connection, have you an objection





1  
2 to the tariff being of a certain size or form, or is  
3 that a matter of great moment to you?

4 A. I do not think it is of great moment,  
5 no. Once again, it is restrictive, but I think --  
6 and once again I am going on long memory -- that that  
7 is as a result of a Board's tariff circular.

8 Q. I think in answer to questions directed  
9 to you by Mr. Cooper you mentioned about diversity of  
10 different kinds of tariffs that your competitors, the  
11 highway -- the trucks -- have?

12 A. Yes.

13 Q. What I am suggesting is that you have  
14 a very orderly manner in which you set up your tariffs,  
15 and I understand people like Mr. Dixon are very pleased  
16 with having a form of tariff in its present form. You  
17 have not in mind making a change?

18 A. The only change we would have in mind,  
19 as far as that is concerned, Mr. Smith, is towards  
20 simplification, not complication.

21 Q. I do not think that any cross-examination  
22 on my part would be complete unless I mentioned an  
23 Act of which you have probably heard -- the Maritime  
24 Freight Rates Act?

25 A. I was brought up under it, sir.

26 Q. And you, at page 87, state that the  
27 payments under that Act are received on the basis of  
28 monthly estimates, supported by a certificate  
29 countersigned by the Government Auditors.

30 And then you say later the actual amount due







1  
2 was determined by a waybill analysis and adjustment  
3 was made and is approved by these auditors.

4 I wonder if you could give the Commission  
5 some indication of how the actual amount of the  
6 subsidy is determined insofar as the Canadian National  
7 is concerned; just the mechanics of determination?

8 A. I think I had better say I have not got  
9 that information here. We will produce that. It is  
10 a little more complicated than I would like to say.

11 MR. SMITH: Thank you very much, Mr. Hart.

12 CROSS-EXAMINATION BY MR. CARTER:  
13

14 Q. There are just two points, Mr. Hart,  
15 that I want to touch upon with you. The first one has  
16 to do with page 8 of your submission. In the second  
17 paragraph on that page, Mr. Hart, you deal with certain  
18 statistics showing the railways' share on the one hand,  
19 and the highway carriers' share on the other in the  
20 inter-city transportation market. Do you see that?

21 A. Yes, I have that, Mr. Carter.

22 Q. Now, those figures, I take it, are the  
23 same as certain figures referred to in a precis or  
24 memorandum of evidence either filed or read into the  
25 record earlier in the proceedings of this Commission.  
26 The memorandum is entitled, in part, and I am quoting  
27 a heading of it:

28 "The necessity that railway revenues from  
29 grain traffic now moving at statutory and  
30 related rates be adjusted in order that this





1  
2 traffic will bear a fair proportion of  
3 total <sup>2/3</sup> transportation costs".

4 I wonder if that memorandum or a copy of it  
5 is perhaps available to you at the moment?

6 A. I have not got it with me, but I suppose  
7 the record speaks for itself whether the figures are  
8 the same or not.

9 Q. I should like to just draw your  
10 attention to that at the moment, if I might.

11 You will see at the foot of the page of that  
12 memorandum which is before you, Mr. Hart, a table  
13 setting out the railways' share; the pipelines' share,  
14 I think, is also listed there?

15 A. At a percentage distribution of market?

16 Q. That is right. Those are the same  
17 figures, are they not, in perhaps somewhat a little  
18 more detail, as those referred to on page 8 in the  
19 paragraph I mentioned a moment ago of your submission  
20 here?

21 A. I think so, yes.

22 Q. Now, I just have the one copy of that.  
23 Might I look at it for a moment?

24 You will notice in this table in the  
25 earlier memorandum that for 1957 your table showed  
26 the percentage of this inter-city traffic being moved  
27 by highway carrier as 6.4%. Do you see that?

28 A. Yes, 1957, 6.4%, yes.

29 Q. Now, in your submission to day in this  
30 particular paragraph you say that in 1958 in effect







1  
2 that share had increased; that is, in just that year,  
3 to 11.1%. Do you see that?

4 A. Yes.

5 Q. Now, that figure, I take it, is correct  
6 -- that is, the 1958 figure was 11.1%?

7 A. Yes, it certainly was.

8 Q. That is, it almost doubled between  
9 1957 and 1958?

10 A. I have a feeling, without knowledge,  
11 that there were some changes in the reporting methods  
12 over this period, but I would have -- I could easily  
13 stand to be corrected -- I think that is the situation  
14 that we are perhaps not comparing like with like. And  
15 it is also, at least, a supposition that that figure  
16 is an estimate figure that is subject to D.B.S.  
17 revision and refinement at a later date.

18 Q. Yes?

19 A. I think that is the fact; so, perhaps,  
20 from those two points of view we are not comparing  
21 like with like, because from the seat of the pants I  
22 would say that percentage of the market of the trucks  
23 has not doubled nor nearly doubled in that year.

24 Q. And no earlier year? The table speaks  
25 for itself, but in any earlier year was there an  
26 increase of anything like that order?

27 A. That is right. I am perfectly  
28 satisfied that when that has had a little more time  
29 to ripen in the minds of the estimators it will come  
30 down a great deal, if we are using the same reporting





1  
2 methods for both truck and rail that they have used,  
3 the same bases to establish that percentage.

4 Q. Just one other point. This relates to  
5 page 16 of your submission, Mr. Hart. In this section,  
6 you are dealing with passenger train operation. In  
7 the last sentence of the second full paragraph on  
8 page 16, you say in part:

9 "No investment or depreciation costs have  
10 been included in this estimate of the  
11 passenger train deficit".

12 A. That is right.

13 Q. Do you see that?

14 A. Yes. That is right, sir.

15 Q. Now, can you tell me what the total  
16 was that was charged to depreciation in 1959 on  
17 passenger equipment?

18 A. No, I have not got that figure here,  
19 Mr. Carter.

20 Q. Can you estimate the amount?

21 A. No. I just say I have not got the  
22 figure. I could not estimate it within, well, within  
23 the widest possible ground. I just don't know.

24 Q. Could that figure be submitted or  
25 supplied to us later?

26 A. Oh yes.

27 MR. CARTER: Thank you. That is all, Mr.  
28 Chairman.

29 THE CHAIRMAN: Mr. Fournier, I understand  
30 you would rather go on in the morning?







1  
2 MR. FOURNIER: If it is possible, sir, I  
3 would rather cross-examine him in the morning. But,  
4 if it is necessary to do it this afternoon, I will  
5 comply.

6 THE CHAIRMAN: Oh, I do not think it is  
7 necessary.

8 We will adjourn now until 10 o' clock  
9 tomorrow morning, and you will be first, Mr. Fournier.

10  
11 --- Adjournment ---  
12  
13  
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29  
30



*Hon C. P. McTaggart*

# ROYAL COMMISSION

ON

# TRANSPORTATION

## HEARINGS

HELD AT

OTTAWA

VOLUME No.:

112

DATE:

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## E R R A T A

### VOLUME 112

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TORONTO, ONTARIO

ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held  
in the Court Room, Board of  
Transport Commissioners  
Offices, Ottawa, Ontario, on  
the 1st day of November, 1960.

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Ottawa, Ontario,  
Tuesday,  
November 1, 1960.

--- On commencing at 10:00 a.m.

THE CHAIRMAN: Order, please.

MR. SINCLAIR: Mr. Chairman, there are two matters -- one matter in particular, and one that is not so pressing -- that I wish to draw to the attention of the Commission.

Some months ago, there was a completely unwarranted and unkindly attack upon yourself, sir, and your impartiality. I spoke to that at that time, and the newspaper involved were kind enough to recognize the seriousness of the situation and to get in touch with you personally, and also to deal with it in the public press.

It came to my attention last night, and this is the reason I bring it to your attention now, sir, another suggestion, not about yourself this time, sir, but one of your confreres on this Commission, suggesting that he was not impartial in regard to the railways' submissions to this Commission.

I am reading from the Daily Gleaner, an editorial of Wednesday, October 26, 1960. This is the leading paper in the capital city of Fredericton, New Brunswick.

Now this says, and I will read the first and last paragraphs, because there is other material in





1  
2 between that I do not think is relevant to the point I  
3 now wish to deal with. It says this:

4 "The Royal Commission on Transportation has  
5 heard some strange submissions since it  
6 started its cross-Canada hearings, but none so  
7 : strange as the one presented this week by  
8 the C.P.R.: There are no alternatives to  
9 horizontal freight rate increases. The  
10 railways said it had tried to find other  
11 measures and failed."

12 Then, the last paragraph: and the one to  
13 which I wish to draw particular attention:

14 "The Atlantic provinces have been strangled by  
15 a series of horizontal freight rate increases.  
16 It is their great hope that the system will  
17 be abolished, and there is a factor in their  
18 favour, for Mr. Howard Mann, one of the most  
19 vigorous enemies of the horizontal freight  
20 rate method is a member of the MacPherson  
21 Royal Commission which heard the C.P.R.'s  
22 unbelievable claim."

23 Now, Mr. Chairman, we know, many of us, that  
24 Mr. Mann was a spokesman for an interest, the Maritimes  
25 Transportation Commission, and pursuant to his  
26 instructions he advanced their position to the best of  
27 his ability.

28 THE CHAIRMAN: So was I.

29 MR. SINCLAIR: Correct, sir. But just like  
30 you, sir, on appointment to this Commission, whatever







1  
2 position you may have taken in advancing the interests  
3 which you were retained to advance, so Mr. Mann will,  
4 I am certain, and I am sure, and have full confidence  
5 that he will treat the whole matter put before him in  
6 accordance with his duty to the railways and to all  
7 parts of Canada. I have no doubt about this at all,  
8 and I think it is unfortunate, indeed, that newspapers,  
9 particularly in provincial capitals such as we have  
10 witnessed, as the leading newspaper in Fredericton,  
11 would suggest, if they have not so stated, and I think  
12 they have so stated, that Mr. Mann is not impartial on  
13 this issue before this Commission. I do not believe  
14 it. If I did believe it, there would be other things  
15 I would do, but I do not believe it, and I am quite  
16 certain that we can all rely on Mr. Mann to deal with  
17 this as he should deal with it.

18 I think it is unfortunate because of other  
19 commitments that Mr. Mann is not here, but this is a  
20 serious matter, and this is why I bring it to the  
21 attention of the Commission as soon as it comes to  
22 my attention, because I wish that the Commission would  
23 take a look at this editorial which I shall hand to  
24 you, sir, so that the Commission would draw this to  
25 the attention of the editor of this paper, the  
26 Fredericton Daily Gleaner, a member of The Canadian  
27 Press, and ask them to publish a retraction of any  
28 suggestion that Mr. Mann will not do his duty. And  
29 I think, sir, if I may suggest it, that this is happening  
30 just a little too often, and it is for these reasons





1  
2 that I bring it to your attention at this time.

3 THE CHAIRMAN: Mr. Sinclair, I do not need  
4 to consult my colleagues. I know their complete  
5 confidence in Mr. Mann.

6 MR. SINCLAIR: Just as great as ours, sir.

7 THE CHAIRMAN: And we are very fortunate to  
8 have a man of his ability and impartiality on this  
9 Commission.

10 MR. SINCLAIR: Correct, sir, that is what we  
11 think, too.

12 Now, Mr. Chairman and members of the  
13 Commission, there is one other matter that arose on  
14 October 26, 1960, volume 108, page 17992 through 17995,  
15 during the cross-examination of Mr. Roberts by Mr.  
16 Frawley.

17 The Commission will recollect that Mr.  
18 Frawley put to Mr. Roberts certain agreed charges that  
19 he suggested were not meeting out-of-pocket costs,  
20 including the cost of money on variable investment, and  
21 he made reference to a movement of propane gas from  
22 Edmonton to a point on the northern Alberta railways,  
23 namely Waterways. He pointed out that in his exhibit  
24 145, revised, that this showed that the earnings per  
25 ton-mile were six-tenths of a cent per ton mile, and  
26 the exhibit also shows that the car mile earnings were  
27 twelve cents. Mr. Roberts said that this had been  
28 costed, and he was convinced and he was confident that  
29 it met its variable costs and something more. This is  
30 in the record to which I have referred.







1  
2           However, in view of the difficulties  
3 involved, we decided to check it, and we find that Mr.  
4 Frawley's exhibit is in error. Instead of this traffic,  
5 propane from Edmonton to Waterways, earning six-tenths  
6 of a cent per ton mile, it earns 6.16¢ per ton mile,  
7 and the car mile earnings, instead of being 12¢ are  
8 \$1.20. It is obvious that in Mr. Frawley's exhibit a  
9 decimal point has been mis-placed.

10           THE CHAIRMAN: A typographical error.

11           MR. SINCLAIR: Yes, and in view of the  
12 point he made out of this, I wish to draw it to the  
13 Commission's attention and, of course, Mr. Frawley  
14 will hear of it.

15           THE CHAIRMAN: Mr. Frawley would not mislead.

16           MR. SINCLAIR: Of course not. This is  
17 a mistake, obviously, in transposing the calculations  
18 to the exhibit, and from that he developed the line  
19 of questioning he put to Mr. Roberts. I thought in  
20 view of the importance he attached to it that I did  
21 want to draw it to the attention of the Commission  
22 while Mr. Hart is on the stand, also, the situation  
23 with regard to this agreed charge 168.

24           THE CHAIRMAN: Mr. Fournier?

25           MR. FOURNIER: Mr. Chairman and Commissioners,  
26 I believe this is the first time that the province of  
27 Quebec is contributing to a Royal Commission on  
28 Transportation. We did appreciate the importance of  
29 the recommendations of this Commission to the  
30 government of Canada, and also the consequences or the





1  
2 impact -- the word may be too strong; my vocabulary in  
3 English is not too extensive -- but, the impact of the  
4 recommendations should they be adopted partially or  
5 totally by the government on the economics of the  
6 province, and also of Canada.

7 We, unfortunately, began to contribute at  
8 a very late stage for circumstances that are well  
9 known to the Commission. We have been a bit handicapped  
10 by time, and I wish to express, before cross-examining  
11 Mr. Hart, I wish to express again my grateful thanks  
12 to the Commission and the Commissioners for having  
13 understood our situation and to have been most fair  
14 and impartial to us.

15 The submission of the province of Quebec is  
16 under preparation, and, of course, I understand that  
17 it is sort of difficult for the witness to answer the  
18 questions because he does not know the submission of  
19 the province of Quebec and what will be the arguments,  
20 and I would like to point out that whatever are the  
21 questions, that they must not be interpreted; actually,  
22 since this submission is not ready, they must not  
23 reflect what will be the submission.

24 The only reason why I want to question Mr.  
25 Hart and some other witnesses is in way of information.

26  
27 ALEXANDER HENDRY HART, recalled

28  
29 CROSS-EXAMINATION BY MR. FOURNIER:

30 Q. Mr. Hart, you are aware, no doubt, that







1  
2 I have requested Mr. McDonald, counsel for the C.N.R.,  
3 to provide me with some information regarding the  
4 ownership of highway carriers by the C.N.R.?

5 A. Yes, so I understand.

6 Q. In order to cross-examine the witnesses,  
7 as it was stated in the first paragraph of my letter of  
8 October 15, this information was kindly provided to me  
9 by Mr. McDonald per letter of the 27th of October,  
10 1960.

11 I wonder, Mr. Hart, if you would read this  
12 letter so that it may enter the record and shorten  
13 your cross-examination.

14 MR. McDONALD: I might say, Mr. Fournier,  
15 that is a matter that Mr. Dingle is going to deal with.  
16 I wonder if you would leave your questions on the  
17 trucking to Mr. Dingle. Mr. Dingle will follow Mr.  
18 Hart, and he is going to deal with that matter of  
19 trucking.

20 MR. FOURNIER: I am sorry.

21 Q. At page 77 of the submission:

22 "Use of Canadian ports for export traffic"?

23 A. Yes, sir.

24 Q. Actually, section 21 of the C.N.R. Act  
25 reads as follows:

26 "21. The Board of Directors shall so direct,  
27 provide and procure that all freight  
28 destined for export by sea that is consigned  
29 within Canada for carriage to national  
30 railways either at point of origin or





1  
2           between that and the sea shall, unless it  
3           has been by its shippers specifically  
4           routed otherwise, be exported through  
5           Canadian seaports."

6           At page 78 in the first paragraph you say:  
7           "In 1957, the traffic moving over Canadian  
8           National lines through these Canadian  
9           Atlantic ports was 1,049,000 tons. The  
10          additional work done to handle it in the  
11          manner directed by the statute rather than  
12          via Portland, Maine, resulted in additional  
13          operating expenses exceeding \$2½ billion."

14          You suggest by your recommendation what  
15 follows:

16          "Canadian National recommends that neither  
17          Canadian legislation nor policy should  
18          impose any special requirement or obligation  
19          upon a particular railway or company".

20          Do you know how much tonnage, or would you  
21 tell the Commission how much tonnage -- well, it says  
22 here 1,049,000 tons. I withdraw this question.

23          Did you appreciate in this suggestion what  
24 will be the loss for the Canadian labourer in  
25 Canadian ports if this tonnage would be diverted to  
26 Portland?

27          A. Yes, I think I tried, in answer to Mr.  
28 Smith, to make our point very clear, Mr. Fournier. We  
29 are not suggesting in any way shape or form that this  
30 tonnage be diverted from Canadian ports. Our suggestion







1  
2 is this, that, as a matter of national policy, that  
3 these Canadian ports be used instead of the port that  
4 we would use in a commercial interest; only that we be  
5 repaid for the amount of operating expenses above that  
6 to operate via Portland. So, we are not in any way  
7 shape or form suggesting that the traffic be diverted;  
8 far from it.

9 So, in following our suggestion, to answer  
10 you directly, Mr. Fournier, there would be no impact  
11 on Canadian labour.

12 Q. At page 17 in the middle of the page,  
13 you state:

14 "A study of cases before the Board of  
15 Transport Commissioners shows that there is  
16 almost always strong opposition to the  
17 abandonment of services, even where patronage  
18 has almost disappeared."

19 And you repeat at page 23 and at page 50 the  
20 same argument. Could you tell the Commission how many  
21 applications of abandonment have been denied by the  
22 Board?

23 A. I think I have that information here,  
24 Mr. Fournier. Actually I have not got all the cases,  
25 by any manner of means, but I have some examples here  
26 on the type of thing that we have found difficulty with.

27 For instance, the Montreal - Vaudreuil  
28 suburban service; an application was made in 1954 to  
29 eliminate this service and partial relief was given  
30 by the Board in 1955. Final relief was obtained in





1  
2 1960 with the cancellation of the remaining trains  
3 between Montreal and Dorval. The hearings involved  
4 in this matter produced strenuous opposition from  
5 commuters' association and the municipalities along  
6 the line, even though there were parallel services  
7 given by the C.P.R. through most of the lakeshore  
8 from Vaudreuil into Dorval.

9 Another example was our application to  
10 discontinue service from Ottawa and ~~Barry's~~ Barry's Bay in  
11 1958, which met with very strenuous opposition, almost  
12 violent objection, from the municipalities and from  
13 various other leaders in the area, with the result  
14 that we were ordered to continue a new type of trial  
15 service which we have run from then until now with  
16 no improvement whatsoever in our operating results.







1  
2 I am just giving a few of the more recent ones. We  
3 applied for a reduction in service between Montreal and  
4 Hawkesbury that would eliminate the passenger service  
5 between Hawkesbury and St. Eustace. The application  
6 was refused by the Board in 1959. In that case the  
7 Board refused to accept that the company was losing  
8 \$40,000 in this service and that the express being  
9 handled by that train could be handled by the truck  
10 and there was a good bus service beyond.

11 Actually the next one I have evidence on here,  
12 there was a hearing on the elimination of passenger  
13 service between Fredericton and Fredericton Junction  
14 in July of this year when there was very strong objec-  
15 tion raised although there was no question of the  
16 economics of the matter. There was strong local  
17 objection to the losing of the service and actually  
18 that case is still pending before the Board.

19 Then, there was a hearing of an application  
20 in July 1960 to discontinue passenger train service  
21 between New Glasgow and Oxford Junction which was very  
22 strongly opposed although the economics were clear.

23 THE CHAIRMAN: That order was granted?

24 THE WITNESS: I am sorry, I have not that  
25 information -- yes, that was granted. There are a  
26 great number of these but those are the most recent  
27 ones. I have a complete list, I have not got it here  
28 but if it would be of use it could be produced and  
29 supplied to you.

30 MR. FOURNIER: Q. Actually you are suggesting





1  
2 through amendment to the legislation that, let us say,  
3 the amendment of Article 168 and the other amendments  
4 regarding passengers and variations are the same. You  
5 are suggesting, I think, at page 63 that upon ninety  
6 days notice of any decision of the company to abandon  
7 any line of railway shall be given to the Board.

8 A. That is a section with which I am not  
9 dealing. That is on the branch line section which is  
10 to be dealt with by Mr.Dingle.

11 Q. On all legislation?

12 A. No, that particular legislation. We  
13 dealt with similar proposals having to do with dis-  
14 continuance of passenger service and Mr. Dingle  
15 is dealing with the branch lines while I am dealing  
16 with passenger service.

17 Q. Well, on page 24, that is on passenger  
18 train service?

19 A. Yes, that is right.

20 Q. You suggest an amendment to Section 315  
21 to amend the Act by adding Section 315A. The drafting  
22 of this section is the same as the drafting of the  
23 section at page 63 to the extent that here it is  
24 regarding passenger train service?

25 A. The same theme runs through them both,  
26 yes.

27 Q. And upon notice of ninety days the rail-  
28 way could abandon traffic which he wished to abandon  
29 at the time and should be obliged to continue its  
30 operation by the Board with the approval of the Governor







1  
2 in Council. Then, the company would be compensated  
3 out of the Consolidated Revenue Fund, therefore, do  
4 I understand that there would not be any compensation  
5 as between lines which are running at profits and  
6 lines which are in fact useful which would be running  
7 at a loss?

8 A. Our proposal is this ---

9 Q. If you do not understand my English --  
10 if I spoke French it would be clearer.

11 A. You would not understand my French.

12 THE CHAIRMAN: You are doing very well.

13 MR. FOURNIER: Thank you.

14 THE WITNESS: Our proposal is that when a  
15 passenger line or a passenger service no longer can pay  
16 its way we can apply to the Board of Transport Com-  
17 missioners to abandon. The Board can say, if it is  
18 losing money they then say -- they look at the public  
19 convenience of the area and they can say, "No, because  
20 of the conditions in that area you must continue to  
21 operate that service." But, when they so say we would  
22 be paid for the loss incurred in operating that  
23 service. Now, against that as a background I under-  
24 stand what you are suggesting is that if lines, other  
25 lines are profitable should not they subsidize the  
26 loss lines. I think that was your question?

27 Q. Yes.

28 A. Well, we do not feel that is so. We  
29 feel each line of this type and generally each service  
30 we perform should stand on its own feet because at the





1  
2 present time you shift the burden from one service  
3 onto a losing service and all you tend to do is keep  
4 the whole railway economy unhealthy. So far as  
5 spreading is concerned, that is not a proper means of  
6 running any business, sort of a loss leader. We do  
7 not believe in this as a method of compensating for  
8 the service.

9 Now, on the other hand, I might also say that  
10 the overall revenues of the company, of course, or of  
11 the railways are measured against an absolute figure  
12 which is established from the general freight rate  
13 increases on the revenue requirements of the Canadian  
14 Pacific Railway, so I do not think that by our sugges-  
15 tion we are going to make a great deal of money out of  
16 a passenger business, out of that alone, but I do  
17 believe we can turn it into a successful business.

18 Q. I am not, of course, especially concern-  
19 ed with the passenger business or the other business,  
20 it is the process which I am concerned with actually.  
21 Therefore, before making such a suggestion as to  
22 abandon the line do you take into consideration the  
23 compensation which can come from other profitable lines?

24 A. No, my answer is that I do not believe  
25 that.

26 Q. You look at it strictly as a business  
27 proposition?

28 A. As a business proposition.

29 Q. As if you were a private concern?

30 A. We should operate the C.N.R. as a big







1  
2 business, very definitely because in any other way  
3 lies chaos, I believe.

4 Q. In proceeding the way it is suggested  
5 at page 24 this would place the people concerned under  
6 an obligation to make evidence that the lines should  
7 not be abandoned. In other words, it is reversed,  
8 the onus of evidence is actually, if I understand  
9 correctly, it is upon the railway to prove that the  
10 line should be abandoned?

11 A. This of course is the proof that is  
12 required in the first instance under this section, that  
13 the first onus is on the railway to prove it is an  
14 uneconomic service and should be abandoned. Then and  
15 only then does the burden shift and when that case  
16 has been made then and only then are other investi-  
17 gations required. I would not like to attempt to  
18 interpret a section but I do believe this is the case  
19 and then the Board of municipality or people concerned,  
20 wherever the information could come from would be  
21 looked at from that point of view to see whether later  
22 subsections of this section should be made to apply.

23 MR. FOURNIER: Thank you, Mr. Hart, those  
24 are all the questions I have.

25 MR. McDONALD: Mr. Chairman, I was just  
26 going to say one little thing. Mr. Fournier has  
27 spoken about his vocabulary in English and I would  
28 like to say I just wish my vocabulary in French was  
29 anything comparable to his in English.  
30





1  
2 BY COMMISSIONER BALCH:

3 Q. I just have two questions. On page 23,  
4 Mr. Fournier referred you to the second full paragraph  
5 about halfway down where it says:

6 "It would enable the Board to deal with  
7 cases on the basis of the economics in-  
8 volved as well as the availability of  
9 alternate services for the public con-  
10 cerned, free from emotional and other  
11 pressures ---"

12 Is it suggested there that the Board pay attention to  
13 emotional pressures?

14 A. Well, under the present legislation,  
15 this question of public convenience and necessity  
16 weighs very heavily in the Board's mind, of course,  
17 as well it must. Under the legislation as it presently  
18 exists it is fully open to innumerable people from  
19 the municipality and various other groups in the  
20 particular area and I can see from my own experience  
21 that certainly these things do become emotionally  
22 charged. We are suggesting only that under the  
23 regulatory climate that it encourages this type of  
24 situation to develop even before the Board which we  
25 consider is an unfortunate situation.

26 Q. Well, then, the other question regarding  
27 merchandising which accept any material benefits  
28 accruing to the shipper after full integration?

29 A. This is merchandising?

30 Q. Yes.







1  
2 A. Mr. Dingle will handle that section  
3 of the brief.

4 COMMISSIONER BALCH: Thank you very much,  
5 that is all.

6  
7 BY COMMISSIONER PLATT:

8 Q. If I get mixed up in the sections, bring  
9 that to my attention too. I had some difficulty with  
10 this matter of regulation and it is some time since  
11 I read Mr. Gordon's evidence before the Royal Com-  
12 mission on Canada's Economic Prospects but as I  
13 understand his evidence at that time and what you are  
14 saying here is essentially the same?

15 A. Yes, I think it is in greater detail  
16 than Mr. Gordon gave at that time.

17 Q. There is no major difference?

18 A. I think not.

19 Q. Am I right in this, that your proposal  
20 is essentially this, that in so far as the traffic is  
21 concerned all restrictions or practically all except  
22 minimum rate control to be removed and that in so far  
23 as other traffic is concerned which is not competitive  
24 traffic that national rate control and discrimination  
25 and what not should be retained?

26 A. I think I said that there are two; one,  
27 if we look at it purely from the industrial viewpoint  
28 I do not see the need for any regulation at either end  
29 of the spectrum. But, it may be because of the various  
30 forces that play and the historical implications that





1  
2 Canada is not ready to take that step we then suggest  
3 that perhaps the way to regulate the upward level is  
4 to do it on a specific rate basis so that this perhaps  
5 could be looked at as -- it appears to be contained  
6 in section 22 of the British Act and the still further  
7 step that if that is found not to be necessary, that  
8 the upward level be established for the time being as  
9 it has been in the past until we are able to test  
10 these other schemes that we have thought of and have  
11 been proposed before the Commission. In other words,  
12 we are at the moment a little afraid or considerably  
13 afraid of the revenue impact of moving from any  
14 scheme before anybody has been able to give it at  
15 least what we would consider a thorough test so we  
16 would not be going out for sort of a change for change's  
17 sake.

18 Q. In your view there is really no need  
19 for regulation at all except for the psychological,  
20 I think one witness called it, or you might say the  
21 political implications?

22 A. I would say perhaps more the political  
23 implications in the broad sense meaning where the  
24 Canadian people are ready for what might be considered  
25 to be a rather drastic step at this time. I think  
26 this is what we are going to propose but perhaps we have  
27 not reached that point in time yet.

28 Q. Well, looking at it from a shipper's  
29 standpoint, and I suppose he requires some considera-  
30 tion in this whole deal, the idea of national rate control







1  
2 providing he is in the area of what you call functional  
3 monopoly would have some appeal to him?

4 A. Yes, it would, there is no question  
5 about it. My own feeling is that the shipper indivi-  
6 dually is worried about his individual rate, not with  
7 the same sort of philosophical group of ceiling rates.  
8 He is interested in the rates under which he ships and  
9 this is what, I must say, generally appeals to me  
10 about the specific control that seems to be encouraged  
11 or set up under section 22 of the British Act so the  
12 rates tribunal gets jurisdiction when, and only when,  
13 a man can prove that for whatever reason it may be  
14 he has no alternative but to ship by rail. Then  
15 after that, and only after that, is established, has  
16 the rate tribunal any powers and then they seem to have  
17 the broadest power to examine the market conditions,  
18 the rail costs and all other considerations to deal  
19 with specific cases. This appeals to me as perhaps  
20 the best way to meet the requirements of the shipper,  
21 who, I think, is only interested in his own rates,  
22 not in a sort of set of ceiling rates.

23 Assuming that administrative difficulties  
24 could be got rid of and that this would not unduly  
25 affect revenue do you object to the use of costs as  
26 a basis for maximum rate control?

27 A. Yes, I do in general because I believe  
28 that it will have a depressing effect on rail revenues.  
29 I am afraid of it, perhaps, only because we are not  
30 skilled enough in the handling of this.





1  
2 To do this with any fixed relationship to cost is  
3 a dangerous way to set maximum rates, that is, on our  
4 present understanding of the way these things are.  
5 I think I must also go back and say we might easily  
6 change our mind when we can put one of these proposals  
7 through a machine in actual form and see what is likely  
8 to happen to the configuration of our traffic.

9 Q. I can quite appreciate your feeling  
10 there but this is a matter of revenue, presumably some  
11 sort of a system could be devised to take care of that.  
12 You may hav a different ceiling, for instance, or  
13 relation between cost and rate. You follow that  
14 classification so that your high rated commodities  
15 may have two or three times your distributed cost and  
16 others lower down. But if you do not set cost as a  
17 base for fixing maximum rate what other basis can you  
18 suggest that is really meaningful to the shipper?

19 A. Well, I think there is a good deal in  
20 that. Perhaps what I am doing is saying I fear  
21 to test on the premise you establish. I think, one,  
22 that the revenue is protected; two, that perhaps the  
23 cost system with some sort of varying cost to cost  
24 amount above cost is certainly one of the areas  
25 that we have to be looking at carefully because this  
26 certainly does seem to be one of the first suggestions  
27 that are made to vary from our present scheme.  
28  
29  
30







1  
2 Q. On this matter of merchandising and  
3 joint operations, particularly joint operations between  
4 other agencies of transport and the railways, if this  
5 were put it to effect would this allow Canadian  
6 National, for example, to enter into deals with  
7 existing trucking lines rather than, say, purchasing  
8 them?

9 A. It would, sir, yes. Our proposal is to  
10 have the most free ability to establish joint routes and  
11 rates with any trucking line.

12 Q. And this would be a considerable  
13 advantage, would it not, in view of your high capital  
14 requirements in other fields?

15 A. I believe it would be extremely worth  
16 while in this competitive area so we could enter into  
17 deals with certain local truckers. It would enable a  
18 coordinated service from point "A" to point "B" to  
19 railhead, and then through on the railway, yes.

20 Q. I have just one other question for  
21 purposes of information. When competitive rates are  
22 set up are they set up by your company individually or  
23 are they set through the Canadian Freight Bureau?

24 A. Well, both.

25 Q. Both?

26 A. Yes, we publish some of our own tariffs  
27 and we also publish some of them through the medium  
28 of the Canadian Freight Association which is, of course,  
29 the joint association covering all railways.

30 Q. These incentive rates are Freight





1  
2 Association?

3 A. I think they are published -- they are  
4 published in a C.F.A. tariff as well as in one of our  
5 own, covering local tariffs.

6 MR. PLATT: Thank you very much, Mr. Hart.  
7 I have personally enjoyed your brief very much and  
8 your presentation of it.

9 MR. HART: Thank you very much.

10 BY THE CHAIRMAN:

11 Q. As I understand it, Mr. Hart, you reject  
12 no plan but you do not want to sail on uncharted  
13 seas?

14 A. I think that sums it up very well.

15 MR. FOURNIER: Mr. Chairman, I have a question  
16 or two which I forgot to ask Mr. Hart.

17 FURTHER CROSS-EXAMINATION BY MR. FOURNIER:

18  
19 Q. Is there actually in the province of  
20 Quebec any uneconomic passenger service which you are  
21 operating?

22 A. Any economic ...?

23 Q. Uneconomic?

24 A. I honestly cannot answer that question  
25 right now. I have not got that information with me.  
26 There are some uneconomic services in Quebec but I  
27 cannot name them.

28 Q. It would not be between Quebec and  
29 Montreal?

30 A. No, I think not.







1  
2 Q. Would you ever consider giving a package  
3 deal between Montreal and Quebec similar to the system  
4 you have for long distance trips? What makes the train  
5 more unpopular is time and also all the incidentals  
6 of travelling by train?

7 A. What we call a package deal so you get  
8 your meal and trip and everything?

9 Q. Yes.

10 A. Whether that has been examined on the  
11 short trips -- I do not think it has, but certainly  
12 in principle there is nothing wrong with it, and I  
13 certainly welcome your suggestion and we will examine  
14 it.

15 Q. Would it be possible to provide the  
16 Commission with information as to the uneconomic  
17 passenger services in the province of Quebec --  
18 possibly through Mr. Dingle? You may have this  
19 information before you leave, but I would not like to  
20 delay your departure.

21 A. I do not think we can produce anything  
22 more than some general information on this. We have  
23 not costed all our passenger services. We have not  
24 done so because under our present regulation this is  
25 not necessary. As we say in the brief, it is only the  
26 most apparent ones that we have worked on, but if we  
27 get the change in legislation which we suggest we very  
28 quickly will go into a full costing of all the services  
29 we are suspicious of, and perhaps at that time only  
30 could we give you the information you would like now.





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THE CHAIRMAN: Thank you, Mr. Hart.

--- A short recess ---

THE CHAIRMAN: Before we go on with Mr. Dingle, Mr. Sinclair has now given me this editorial and I have talked to my colleagues. There is no Commissioner who is more impartial on any subject or affair than Mr. Mann, nor more able, and we will deal with this by writing to the Gleaner and advising those present of what we have said.

MR. SINCLAIR: Thank you, Mr. Chairman.







1  
2 MR. MACDOUGALL: Mr. Chairman, members of  
3 the Commission and those present have been supplied  
4 with a memorandum of the portions of the brief which  
5 Mr. Dingle will speak to, and in presenting him to the  
6 Commission I would like to place on the record some  
7 general information as to his background and railway  
8 service in qualification of the evidence he is about  
9 to give.

10 I am sure, sir, that he is well known to  
11 most of the members of the Commission as one of  
12 Canada's senior operating railway officers.

13  
14 S. F. DINGLE, called

15 DIRECT EXAMINATION BY MR. MACDOUGALL:

16  
17 Q. Mr. Dingle, if I state anything  
18 wrongly in giving your general background and service  
19 information you will correct me, sir.

20 Mr. Dingle was born at Fort Hancock, N.J.,  
21 November 12, 1901. He was educated in Winnipeg,  
22 Manitoba, through public and high school, and later at  
23 commercial college and the University of Manitoba.

24 Mr. Dingle entered railway service with the  
25 Grand Trunk Pacific Railway Company, Engineering  
26 Department at Winnipeg, in a clerical capacity on  
27 June 29, 1920. He transferred to the Canadian  
28 National Railways in the same department, location,  
29 and capacity, on September 1, 1920. He held various  
30 positions in the Engineering and Transportation





1  
2 departments in Winnipeg until appointed Assistant  
3 Superintendent, Dauphin Division, Dauphin, Manitoba,  
4 on March 1, 1939, and later Superintendent at that  
5 point on July 23, 1941. He was appointed Superintendent,  
6 Portage-Brandon Division on May 15, 1942, and general  
7 superintendent of the Alberta District, headquartered  
8 at Edmonton, on November 1, 1944. He was appointed  
9 Chief of Transportation with system jurisdiction at  
10 Montreal on April 1, 1946, then Assistant Vice-  
11 President Operation at Montreal on September 1, 1948,  
12 and on February 1, 1950, he succeeded the late N.B.  
13 Walton as Vice-President Operation for the Canadian  
14 National system at Montreal.

15 He is a Vice-President and Director of the  
16 Grand Trunk Western Railroad and of the Central Vermont  
17 Railway Inc.

18 He is a member of the General Committee,  
19 Operating - Transportation Division, of the Association  
20 of American Railroads. He is also a member of the  
21 Executive Committee of the Railway Association of  
22 Canada, as well as serving on various other railway  
23 committees.

24 Mr. Dingle regards as one of his lighter  
25 duties the task of appearing each year before the  
26 Sessional Committee on Railways, Airlines and Shipping  
27 in company with our President, Mr. Gordon, to present  
28 Canadian National's Annual Report and its capital and  
29 operating budgets for the ensuing year. He regards  
30 as one of his most arduous tasks that of being Director







1  
2 of the Montreal Alouette Football Club.

3 Mr. Dingle, on the statement which was  
4 distributed yesterday, it shows you are here to speak  
5 particularly to Chapter 4 of the Canadian National  
6 submission dealing with the re-organization of railway  
7 plant and facilities; Chapter 6, those portions dealing  
8 with abandonment of lines, Railway Grade Crossing Fund,  
9 and free transportation; and Chapter 7, Part A, road-  
10 rail integration and B, CN - CP Act. While this brief  
11 has been submitted by Counsel for the company, am I  
12 correct in my understanding that you are familiar with  
13 these subjects referred to, and if you were asked to  
14 give your views on those subjects they would be as set  
15 out in the Canadian National submission?

16 A. That is correct.

17 Q. Do I understand also that the facts  
18 and information contained in the portions of the  
19 submission I have referred to as being within your  
20 province, that these facts are correct to the best  
21 of your information and belief?

22 A. Yes, sir.

23 Q. Mr. Dingle, as this submission is not  
24 being read I would ask you, first of all, if there  
25 are any specific corrections and changes that you  
26 wish to point out to the Commission concerning the  
27 detail of the brief?

28 A. No, I do not believe so.

29 Q. Since you are this morning dealing with  
30 the railroad operating problems which arise particularly





1  
2 out of the terms of reference contained in the Order-  
3 in-Council setting up the Commission which directs the  
4 Commission to look into the possibilities of achieving  
5 more economical and efficient railway transportation,  
6 I would ask you if in amplification of what is set out  
7 in the brief you have any general comments in this  
8 regard which you would care to give to the Commission?

9 A. Well, Mr. Chairman and Commissioners,  
10 I am quite well aware that a number of parties  
11 appearing before this Commission have expressed the  
12 view that much more can be done to improve the  
13 efficiency and economy of operation of Canada's  
14 railroads. Some have also said that they consider  
15 present operations to be inefficient and uneconomic.  
16 We have attempted in the submission we are making  
17 today, to acquaint the Commission, and the public,  
18 with some of the details of the strenuous efforts we  
19 have been making, particularly in recent years, to  
20 improve our efficiency and our economy of operation.  
21 Our efforts in this regard have been spurred on by the  
22 increasing fierceness of the competition the railroad  
23 is meeting from other transportation agencies. Other  
24 factors bearing on this question, are, of course, the  
25 tremendous increase in our costs of operation occurring  
26 in recent years, and, of course, our interest is  
27 producing a better transportation service for railway  
28 patrons. Today, shippers are more selective in the  
29 type of service they desire, and demanding of the  
30 accommodation they need for handling their traffic.







1  
2 As we point out in the main body of the submission,  
3 many of our shippers desire special units of equipment  
4 which cost more than the ordinary box car, and in many  
5 cases have their utilization restricted because they  
6 must remain in more-or-less captive service in order  
7 to do the job for which they are designed. This is  
8 but an example to point up the complexity of the  
9 present problem. In addition to that, as we have  
10 endeavoured to show the Commission, modernization of  
11 rail facilities to improve operating performance has  
12 required the expenditure of vast sums of money. I  
13 think the detail of what has been done to date, as  
14 set out in our submission, should show that we have  
15 not been standing still in this phase of these  
16 problems but have been taking most energetic steps to  
17 improve our efficiency.

18 Q. Mr. Dingle, in view of the remarks you  
19 have just made which indicate that the C.N. has been  
20 active in improving railway efficiency and operation,  
21 I wonder if you would care to elaborate on this  
22 subject for the benefit of the Commission by citing  
23 particular fields in which the railway has made or is  
24 making improvements.

25 A. It is very difficult to measure accurately  
26 the improvement in efficiency resulting from capital  
27 expenditures made in respect of the railway plant.  
28 On the Canadian National, as shown in our brief (page  
29 26), we know that in the decade 1950-1959 our capital  
30 program was 1.5 billion dollars. In looking for





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1  
2 some evidence of the return on this expenditure an  
3 examination of the road maintenance, equipment  
4 maintenance, transportation, and other operative  
5 accounts was made. Leaving out interest and  
6 depreciation and restating the 1950 figures on the  
7 basis of current wage and material prices our  
8 examination indicates that we have improved our  
9 position by making these capital expenditures in the  
10 amount of approximately 120 million dollars a year.  
11 In other words, if we had to do the work required of  
12 our railway plant today at the level of efficiency  
13 of 1950 without having made these capital expenditures,  
14 it would have cost us approximately 120 million dollars  
15 more to do this work than it did. This statement,  
16 of course, is a general one and there are many factors  
17 which go into improved efficiency, such as improved  
18 work methods, better utilisation of equipment, etc.

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1  
2 Q. Mr. Dingle, these expenditures that  
3 you have spoken of, sir, have they been made in relation  
4 to, among other things, the purchase of new equipment  
5 such as has been spoken of earlier in these proceed-  
6 ings, such as diesels and new modern types of equipment  
7 and machines used in railroad operation today?

8 A. Yes.

9 The Canadian National Railways has realized  
10 that there are substantial savings both in terms of  
11 money and time with the use of modern machines and  
12 high speed electronic computers, to say nothing of our  
13 diesel programme and so on. For several years now,  
14 we have made use of these tools to perform those routine  
15 clerical and accounting functions which can be more  
16 efficiently done by machines than by human beings.  
17 Availability of these machines has also allowed the  
18 company to apply some of the newer scientific methods  
19 to examine and improve the efficiency with which  
20 freight car and diesel equipment is used and to pro-  
21 vide better information for management control.

22 We have, for example, developed a new  
23 method for examining the performance of trains on all  
24 our main track in order to ensure efficient use  
25 of diesel power and more realistic train schedules.

26 The information provided should also help  
27 us to establish realistic standards for track maintenance.  
28 The Canadian National Railways has also developed  
29 a method of assimilating on a computer the performance  
30 of trains running in both directions along a single





1  
2 track line. This is probably the most advanced  
3 technique of its kind developed by any railroad in  
4 North America and in effect provides the railway  
5 with a laboratory tool by which the effect of any  
6 changes in our operations can be examined without  
7 interfering with the actual operation. It is  
8 being used at present to examine new proposals for  
9 siding extensions and centralized traffic control  
10 in order to ensure that we are getting the best value  
11 for any given capital expenditure. A new integrated  
12 data processing system is now being implemented  
13 throughout the whole C.N.R. system. This will  
14 involve the use of a very flexible high speed digital  
15 computer at system headquarters in Montreal and  
16 will provide complete and timely information for  
17 management control at all levels. Many of the  
18 benefits of this data processing system are already  
19 being obtained.

20 This is but an illustration of what is  
21 being done to achieve further efficiencies and  
22 economies in our operations. In our brief we have  
23 set forth for the information of the Commission con-  
24 siderably more detail on the areas where it is felt  
25 substantial improvements are being made.

26 Q. Do you suggest that the task of  
27 improving efficiency and operation of the railways  
28 is pretty well done?

29 A. No. We do not suggest that all that  
30 can be done in this regard to make ourselves more







1  
2 efficient and economic in our operations has been  
3 accomplished, and that the task is done. We know  
4 that more remains to be done and are here to say what  
5 we propose doing ourselves and also where we consider  
6 the areas of difficulty lie and the type of help we  
7 require in overcoming those difficulties.

8 In this connection, I might emphasize  
9 the portions of our submission dealing with our  
10 efforts and proposals for consolidation and reorganiza-  
11 tion of our railway facilities, so as to make the rail  
12 plant more effective and suitable for carrying out the  
13 transportation job required by the shipping public.  
14 The Commission will note that our proposals in this  
15 regard include actions which we are taking ourselves,  
16 such as the development of a new coordinated rail-  
17 highway service for handling small shipments, which  
18 we call merchandise services, and more aggressive  
19 competitive pricing policies. C.N.R. management is  
20 convinced that the intelligent coordination and inte-  
21 gration of rail-highway services by our company will  
22 provide the most satisfactory transportation service  
23 which our customers require, and we plan to push  
24 forward in these areas as aggressively as possible.

25 At the same time, we have pointed to areas  
26 where improvements should be made but where the rail-  
27 way feels that it requires the assistance and support  
28 of the public, and your Commission, to create a  
29 more favourable climate in which to tackle these  
30 problems. In this category is the matter of





1  
2 elimination of deficits arising from the operation of  
3 low-density branch lines and passenger services.

4 Q. Mr. Dingle, are you familiar with the  
5 views that have been expressed before this Commission  
6 by various parties appearing here in respect to this  
7 matter of the elimination of uneconomic services?

8 A. Yes, I noted that most parties appearing  
9 before your Commission are aware of these problems  
10 and are anxious that realistic measures be taken to deal  
11 with them. While the suggestions they offer vary,  
12 basically they agree with Canadian National's views,  
13 put forward in our submission, namely that realistic  
14 and energetic action should be taken to eliminate, as  
15 far as possible, uneconomic operations, providing  
16 always that where the public necessity arises, arrange-  
17 ments can be made to retain some service for the  
18 public with the rail carrier being reimbursed for any  
19 loss it might sustain, by means of payment from the  
20 public treasury.

21 Some have suggested that the way to deal with  
22 branch lines, passenger services, and reorganization  
23 of railway facilities, is to force the railways to  
24 economize by suitably amending the CN-CP Act. I think  
25 that significant action has been taken in this connec-  
26 tion by the two railroads, particularly in the recent  
27 past, and is presently being taken, to indicate their  
28 earnestness to cooperate together in their own interest,  
29 and that of the public, to achieve more economic opera-  
30 tion, and I would point to the recent activity in







1  
2 connection with passenger service changes and cases put  
3 before the Board concerning branch lines, also the  
4 joint CN-CP committee on Passenger Services which is  
5 presently active in this regard.

6 Mr. Parker of the Manitoba Pool Elevators  
7 in his submission to your Commission urged that the  
8 railways should work with the local governmental  
9 authorities and affected industries in the reorganiza-  
10 tion of their plant to eliminate unnecessary facilities  
11 and services. There is presently in being a study  
12 group in Western Canada who are looking at all  
13 facilities and services there, in conjunction with  
14 local interests, in an endeavour to see what can  
15 be done to effect economies and more efficient opera-  
16 tion in the west.

17 Q. Now, Mr. Dingle, would you be kind  
18 enough to tell the Commission whether you draw any  
19 particular conclusions from these facts which you  
20 have been telling us about?

21 A. Well, all of this leads me to the  
22 conclusion that the proposals and recommendations  
23 made in Canadian National's submission, supported  
24 by this Commission in its report, and with the changes in  
25 legislation which we suggest the Commission should  
26 recommend, will create the necessary climate within  
27 which these problems of reorganization of facilities  
28 and services can be effectively dealt with. I think  
29 it much preferable to proceed in this manner rather  
30 than by legislation directed at forcing the railways





1  
2 to cooperate at the direction of some body, such as  
3 the Board.

4 Therefore, Mr. Chairman, it is our hope that  
5 the information which we have supplied, and suggestions  
6 and recommendations which the C.N.R. have made will  
7 be adopted, because we are convinced that they are  
8 practical and will enable the achievement of more  
9 economic and efficient operation than can be hoped for  
10 by proceeding without the implementation of these  
11 recommendations.

12 MR. MACDOUGALL: Would you be good enough  
13 to answer the questions of my learned friends and any  
14 that may be put to you by the Commission?

15 THE CHAIRMAN: Before calling Mr. Cooper,  
16 your main chore to us is to establish climate?

17 THE WITNESS: That is right, sir.

18 THE CHAIRMAN: Do you know what Mark Twain  
19 said about the west?

20 THE WITNESS: Yes, sir.

21  
22 CROSS-EXAMINATION BY MR. COOPER:

23 Q. Mr. Dingle, in view of the full submis-  
24 sion which has been made and the amplification of  
25 various points in the submission which you have just  
26 given, my questions are few, but there are some points  
27 on which I would like to obtain further information for  
28 the Commission.

29 You deal on pages 31 and 32 with centralized  
30 traffic control under the heading "Re-organization







1  
2 of railway plant and facilities."

3 And at page 32 you say that by the end of  
4 1959 Canadian National had 1101 miles of traffic equip-  
5 ped with CTC. At that time installation was under  
6 way on a number of other subdivisions of which 330  
7 miles is expected to go into service in 1960. This  
8 programme is continuing.

9 Upon the completion of the programme, Mr.  
10 Dingle, what will be the total number of miles of  
11 track equipped with CTC?

12 A. Under our five-year programme that  
13 we set up for this type of installation, we will do  
14 about forty subdivisions with a total mileage of a  
15 little over 4,000, at an expenditure of something  
16 under \$40 million dollars.

17 Q. Mr. Dingle, on page 39 you deal, com-  
18 mencing at the bottom of that page and extending over  
19 to the following pages, with merchandise services.  
20 We have had evidence with respect to the Canadian  
21 Pacific integrated merchandise service during the  
22 course of which we heard that the Canadian Pacific had  
23 a pilot operation in Vancouver and that it was contem-  
24 plated that extension of merchandise services would  
25 be made next in the prairie provinces, and after that,  
26 if found successful, would move east.

27 How does Canadian National's plan with  
28 respect to merchandise services differ from that of  
29 the Canadian Pacific? Would you just tell the Commis-  
30 sion your method generally of getting into and





1  
2 establishing merchandise services?

3 A. Well, I think our brief, Mr. Cooper, is  
4 fairly clear on that point. Basically, I do not think  
5 our plan differs to any extent as to the end result  
6 with that of the Canadian Pacific. We are presently  
7 concentrating a lot of effort in the maritimes with this  
8 point, and that you might say could be called our pilot  
9 run. We have extended our thinking in the matter right  
10 across the system. We are presently studying all  
11 freight shed handling methods, their part in the new  
12 scheme of things. In time we hope that this service  
13 called merchandise services will be extended across the  
14 system.

15 Q. The freight shed improvements mentioned  
16 on page 39, paragraph 12 on that page, have a very  
17 direct relationship, then, to merchandise services?

18 A. That is true. The old concept of freight  
19 handling through sheds may disappear pretty well, as  
20 they have been known. In other words, we will wipe  
21 out a lot of these sheds; concentrate our efforts on  
22 what we call rail heads that we are establishing now  
23 in various sections in the east, and in that way we hope  
24 to give better service to our customers and at the same  
25 time better our operating results.

26 Q. What would be the difference -- for the  
27 benefit of the Commission -- between present freight shed  
28 operations and your railhead operations? The freight  
29 shed operation would disappear?

30 A. Only that we would try by an elimination







1  
2 of freight shed operations which are costly, and con-  
3 centrate them in one bigger effort at local points.

4 Q. It is a matter of consolidation of small  
5 sheds into larger units; is that correct?

6 A. That is correct.

7 THE CHAIRMAN: Do you collaborate on methods  
8 with the C.P.R.?

9 THE WITNESS: I do not think we have in that  
10 field, to date, sir, but certainly there is nothing  
11 against it.

12 MR. COOPER: Q. Mr. Dingle, while we are  
13 on this point of collaboration which the Chairman has  
14 raised, do the railways collaborate in the matter of  
15 ordering new equipment and in the design of new equipment,  
16 new types of freight cars and that sort of thing?

17 A. Yes, we have a joint mechanical committee,  
18 Mr. Cooper, that has been established for some few years  
19 now, and they go into all such things as standardization  
20 of equipment, better methods of building, improvement  
21 in design; all to get our requirements more or less on  
22 the same base, and, of course, to cut cost of purchases.

23 Q. This is a joint committee of the two  
24 railways, is it? The Canadian Pacific and Canadian  
25 National?

26 A. Yes, sir.

27 Q. You might elaborate on that just a bit,  
28 if you will, Mr. Dingle, to give a little more detail  
29 on what matters are dealt with by that committee?

30 A. Well, over the years we have built up





standards for equipment, some as required by the Board of Transport Commissioners, and some established by each railway on its own. And when we go to the car builder, for example, for an order on boxcars we have, in years gone by, been put perhaps to extra cost one against the other -- one company against the other -- because of our different design and specifications. We are trying to draw those together to make one common set of specifications for most of our equipment.

Q. So, most of the equipment ordered, then, would be of common design and common specifications on both roads?

A. That is, in the more common type of car, yes.

Q. And in the uncommon type of car, if I may use that expression, the matter of design is also a matter of cooperation between the two roads?

A. Yes,

Q. On page 41 under "Merchandise Services", you state:

"Railway-operated piggyback service is, of course, an integral part of this basic plan of transit. Such service has been expanded considerably and several more expansions are in various stages of implementation."

And, on page 44, at the top of the page, you say:

"There is a possibility that a field exists in Canada for Plan III and Plan







1  
2 IV, and the railway is presently  
3 engaged in estimating their possible  
4 effects on other methods of transporta-  
5 tion offered the shipping public by the  
6 railway."

7 I should like you to enlarge on that somewhat, if you  
8 will, Mr. Dingle, and indicate to the Commission  
9 what expansions are in various stages of implementation  
10 or what more expansions are in various stages of  
11 implementation as mentioned on page 41, read in the  
12 light of what you say on page 44?

13 A. Well, I think we are basically talking  
14 there of extending our services. The types, of  
15 course, are described under the various plans, but we  
16 are concentrating at the moment on Plans I and II;  
17 II being a railway operated service where we own the  
18 flat car and the trailer, and in that field, as related  
19 to merchandising services, we feel that we can expand  
20 to a considerable extent by handling through these  
21 railheads, which I described before, trailers or flat  
22 cars and then trucking from there to destination.  
23  
24  
25  
26  
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1  
2 That is one of the fields that we are considering and  
3 I do not know that I can say too much more about our  
4 future plans. We have various schemes underway that  
5 are being considered as to the best handling that can  
6 be given such services such as containerization and  
7 this operation, to some extent, on flat cars and also  
8 other methods more economical as related to our  
9 handling costs. I think, Mr. Cooper, the brief beyond  
10 that is pretty self-explanatory.

11 Q. Thank you. You do not mention in your  
12 brief anywhere plan 5 in piggyback operation. I was  
13 wondering what consideration had been given to that  
14 plan, if any. Plan 5 is the plan where, as I understand  
15 it, railroads carry their own trailers or common  
16 carrier truck trailers under joint rail truck rates  
17 on an end to end basis. Normally, this plan involves  
18 a truck road haul on one or both ends of the railway.

19 A. Well, I am not competent to speak on  
20 that point particularly. We are not dealing with it  
21 at the present time although I believe our traffic  
22 research has it in hand.

23 Q. I move on, Mr. Dingle, to branch line  
24 abandonments and your section on branch line  
25 abandonments commence on page 45. On page 47 you  
26 refer in the paragraph numbered 5 on that page to:

27 "Canadian National continuously follows a  
28 policy of careful examination of its low  
29 density branch lines."

30 May I get some clarification or definite







1  
2 information on the phrase "low density branch lines"?  
3 How would you define a "low density branch line" or  
4 what do you consider to be a "low density branch line"?

5 A. Well, of course, in travelling over  
6 these lines the local officers have a pretty good idea  
7 as to the state of business on a particular line. If  
8 they feel that we are not doing so well on a particular  
9 line then they institute a study. Now, we have no  
10 particular set rule for this sort of thing, we have  
11 based it on a loss of more than \$500 per mile and we  
12 should take action. However, you can relate it to  
13 the 25,000 net ton miles, the same thing, 50,000 gross  
14 ton miles, set your standards there. We have examined  
15 lines below that level quite often and we are working  
16 towards that end at all times.

17 Q. So these low density branch lines, that  
18 is not an expression which is capable of exact  
19 definition but something which is determined by  
20 examination by railway officials and the exercise of  
21 their judgment as to whether a branch line falls into  
22 a class where more cost information should be obtained  
23 with respect to it and where it may possibly be a case  
24 for abandonment?

25 A. That is right, and taking into account  
26 also the particular circumstances surrounding that  
27 particular area or line.

28 COMMISSIONER BALCH: Excuse me for  
29 interrupting, Mr. Cooper, but there is a question that  
30 occurs to me. We will say a low density branch line





1  
2 leads into a town and the town is pretty busy within  
3 the town but the density over a branch line is very  
4 small. For instance, I often think of Guelph, I think  
5 that is a low density branch line from Stratford into  
6 Guelph. That line itself does not carry much freight  
7 but there is definitely business within the town. Now,  
8 would you make an application because of the low  
9 density on the branch line itself or would you take  
10 in the work that is done in the terminal as well?

11 THE WITNESS: Well, both would have to be  
12 considered very carefully, one may outweigh the other  
13 in those particular circumstances and certainly we  
14 would take those things into consideration, both  
15 the density on the line itself as well as the town or  
16 area or terminal on the line.

17 COMMISSIONER BALCH: You can see my point  
18 there, if you did take out that branch line that is low  
19 density you practically leave the town that it leads to  
20 isolated. That is taken into consideration.

21 THE WITNESS: Right.

22 MR. COOPER: Q. On page 51 you refer, in  
23 the first complete paragraph on that page, to a study  
24 which has been started in the west on this matter of  
25 obtaining cooperation of provincial, municipal  
26 authorities and other persons in dealing with the  
27 branch line problems. How long has that study been in  
28 progress?

29 A. Well, we did quite a lot of preliminary  
30 work in Montreal on it but it was officially established







1  
2 in the west either in June or July of this year.

3 Q. Is it perhaps, or is it too early to  
4 say yet that the railway embarked on a program, let  
5 us say, extending over a number of years and involving  
6 branch lines generally throughout the west?

7 A. Yes, I think it would be spread over  
8 a number of years but as far as we are concerned while  
9 the study is now going on in the west, that study will  
10 be extended to the entire system in time.

11 Q. Will be extended in the same way, I  
12 presume, so you will meet with local leaders of  
13 government and business organizations and get their  
14 views on particular branch lines in the areas  
15 affected?

16 A. Yes, that is our present plan.

17 Q. On page 61 the suggested change to  
18 section 53, subsection 1 of the Railway Act is dealt  
19 with. Possibly Mr. Macdougall would want to deal  
20 with this. You still leave the power of the Governor-  
21 General in Council over questions of fact, as I  
22 understand it, so the Governor in General in Council  
23 can on petition of any party and so on overrule the  
24 Board on a question of fact.

25 MR. MACDOUGALL: Mr. Cooper, this being a  
26 matter of change in the legislation it is pretty much  
27 a matter of procedure and this witness is not in a  
28 position to give you an answer to that. I think,  
29 as counsel, I would say that generally is the intent  
30 of the proposal which we make here. We do not wish





1  
2 to withdraw from the Governor General in Council his  
3 normal powers but simply instead of these cases which  
4 have gone forward to the Supreme Court of Canada in  
5 the normal way, that there would be no further appeal  
6 from there to the Governor General in Council in cases  
7 of that kind.

8 MR. COOPER: I think it may generally be  
9 said to be true that in regulatory bodies questions of  
10 fact are for those regulatory bodies and on questions  
11 of fact there could be no appeal, their decision is  
12 final. However, this legislation intrigues me in that  
13 respect because it appears to me to give, contrary to  
14 what is the usual statutory provision with respect to  
15 regulatory bodies on questions of fact, and I was just  
16 wondering why the power still be left in the Governor  
17 General in Council to overrule the Board on questions  
18 of fact.

19 MR. MACDOUGALL: I might say that the  
20 submission that we make at this time is solely in  
21 connection with the one point I spoke to earlier. Mr.  
22 Cooper's point is a very valid one and I think that  
23 will come up in detail in argument. However, the  
24 authorities on this submission wish to highlight one  
25 aspect of the matter of the appeals to the Governor  
26 General in Council which we feel should be brought  
27 to the attention of the Commission in this submission.  
28 There may well be said about Mr. Cooper's suggestion  
29 that it will be dealt with in argument fully.

30 MR. COOPER: Q. On page 84 you deal with







1  
2 the question of road-rail integration and in the first  
3 complete paragraph from that page you state:

4 "Canadian National does not regard  
5 competition between the railway and private  
6 truckers as a fight for survival. Canadian  
7 National is not in any way interested in  
8 driving the independent trucker out of  
9 business. Both the railway and the truck are  
10 tools of transportation and in the best  
11 interest of the shippers and receivers --  
12 the users of the service -- each tool should  
13 be used as it is best suited. What is needed,  
14 therefore, is an intelligent recognition of  
15 a competitive co-existence and the development  
16 of a coordinated rail highway system in which  
17 each form of transportation would play the  
18 role which it best fits."

19 What obstacles, if any, have you encountered  
20 or would you expect to encounter in this field owing  
21 to the fact that jurisdiction over motor trucks and over  
22 highways, speaking very generally, is vested in  
23 provincial governments and not in the federal  
24 government.

25 A. Well, I see no great difficulty in it,  
26 Mr. Cooper. Our plan for trucking generally, as you  
27 know, is to associate ourselves with existing lines who  
28 also have a franchise. I think that in a large measure  
29 that they will be of assistance to us, plus the fact  
30 that I think we have the cooperation of some provinces





1  
2 in this field and they will assist where they can to  
3 enable us to operate as we intend.

4 Q. This matter that I have touched upon  
5 is not a problem at the moment and you do not expect  
6 it to be a problem?

7 A. I do not think so, sir.

8 Q. On page 85 at the top of the page you  
9 state:

10 "As the pattern of railway trucking operations  
11 in coordination with railway facilities  
12 becomes established and recognized, Canadian  
13 National is convinced that it will bring  
14 into being a very desirable stabilization of  
15 the transportation industry in Canada and  
16 the elimination of a number of uneconomic  
17 practices."

18 What uneconomic practices do you have in  
19 mind in writing that sentence?

20 A. Well, I think it can best be stated  
21 this way: we know that in mass transportation or in  
22 long distances the railway transportation is the  
23 cheapest but when there becomes a combination movement  
24 such as between the main line and a branch or fanning  
25 out from main terminals we think there is a place for  
26 an integrated rail truck service. In that way we  
27 would hope that it would eliminate these uneconomic  
28 practices of that nature.

29 Q. The uneconomic practices whereby now  
30 trucks do take long hauls which could more efficiently







1  
2 be ---

3 A. Well, we have not the facility to combine  
4 the two where the need would be most profitable to the  
5 railway.

6 Q. Well, it gets down to this, I suppose,  
7 that what you are suggesting is that under present  
8 conditions and circumstances railways may be involved  
9 in short haul movements which the trucks should be  
10 involved in rather than the railways and in long haul  
11 movements the railways should be used in most cases  
12 exclusively and trucks not used in such long hauls.

13 A. Yes, basically I think that is the  
14 principle.

15 MR. COOPER: Thank you very much.  
16  
17

18 CROSS-EXAMINATION BY MR. SMITH:

19 Q. Mr. Dingle, I have a very few questions  
20 to ask you. There is one question on which I would  
21 like a little information and that is at page 43 of  
22 your precis in the second complete paragraph where you  
23 say:

24 "It became international on March 10, 1959,  
25 when service was inaugurated between New York  
26 and Toronto."

27 The question I wish to put to you is, has  
28 your company found this experiment in the field of  
29 international piggyback successful?

30 A. Fairly so. I think it could be more





1  
2 successful but it has worked out very well.

3 Q. And has the volume of this traffic met  
4 your expectations?

5 A. I would have to consult Mr. Hart there,  
6 I have not the figures to answer your question.

7 Q. Do the users of the service appear to be  
8 reasonably satisfied with it?

9 A. Yes, sir.

10 Q. And is it a fair deduction, therefore,  
11 that the service of this international nature may be  
12 expanded in the future?

13 A. Well, it could be, although I know of  
14 no such plan at the moment.

15 Q. Has your company not also established  
16 recently piggyback service between certain Massachusettes  
17 and New Brunswick points on the one hand and Hamilton,  
18 Port Credit, Toronto and Montreal on the other? Do  
19 you know about that expansion?

20 A. I could not answer, Mr. Smith.

21 Q. You do not know?

22 A. I do not know.

23 Q. On page 44, Mr. Dingle, you discuss  
24 future changes in piggyback and containerization and  
25 I observe that you state:

26 "Another, more intriguing, is the elimination  
27 of the flat car itself by equipping a semi-  
28 trailer with both rubber tired wheels and  
29 flanged wheels, and stressing the vehicle  
30 so the same may be operated in train lots."







1  
2 This movement of highway trailers without  
3 running wheels and axles, could you enlarge upon that  
4 statement as to why you consider it more intriguing  
5 than the other?

6 A. Well, It would be better stated this  
7 way: it is a novel plan, I think it is somewhat far  
8 distant at the moment because by the time you build the  
9 strength into a trailer to take train operations you  
10 really have to spend a lot of money. While it is being  
11 considered, it is something for the future as far as I  
12 can see.

13 Q. And on page 44 your precis mentions also  
14 intercontinental containerization. You may recall that  
15 last week we heard evidence from the Canadian Pacific  
16 Railway that their company had experimented with the  
17 government on freight in containers via Montreal and  
18 points overseas. Has your company done anything of  
19 this nature?

20 A. Well, not in the same light as that of  
21 the Canadian Pacific but we certainly are considering  
22 it with respect to our movement from the main line to  
23 Newfoundland.

24 Q. Newfoundland?

25 A. Yes.

26 Q. I was concerned about that.

27 A. That is under study now.  
28  
29  
30





1

2

Q. You are studying that?

3

A. That is right.

4

5

Q. And have your studies developed to a certain extent at the present time?

6

7

A. Yes, they have, even to the point of ship design, and so on, to take care of these specialist ---

8

9

Q. The matter is being actively dealt with?

10

A. Very actively, yes.

11

12

Q. Do you apply that experiment to any parts of your domestic service apart from Newfoundland?

13

14

A. I don't think so at the present time, no.

15

Q. Have you any in mind?

16

A. Certainly, if we are successful.

17

Q. If you are successful in Newfoundland?

18

19

A. If we see the need, we will go right to it.

20

21

22

23

24

25

26

27

28

29

30

MR. CARTER: Mr. Chairman, before turning to my examination of Mr. Dingle I would like to go back to the editorial which my learned friend Mr. Sinclair referred to this morning. In so far as that editorial contained a comment having to do with the C.P.R. brief I say nothing. I was, however, shocked -- and I used the word advisedly -- to hear the comments contained in the editorial having to do with Mr. Mann. I know that I speak for my clients the Government of the Province of Saskatchewan and say that there is no question in its mind, or in the mind of anyone else,







1  
2 of the complete impartiality of Mr. Mann and, indeed,  
3 every member of the Commission.

4 THE CHAIRMAN: Thank you.

5  
6 CROSS-EXAMINATION BY MR. CARTER:

7 Q. Mr. Dingle, I have one or two questions  
8 to put to you having to do with your integrated rail-  
9 highway operations: can you give me the names of the  
10 trucking companies which are owned or controlled by  
11 the Canadian National Railways?

12 A. Mr. Macdougall has assembled that  
13 information, and I will read the list.

14 Q. Thank you.

15 A. The Midland Superior Express Limited.  
16 Would you like their location, or anything of that  
17 nature?

18 Q. I should like to get some general  
19 idea of the area in which they operate. I am not  
20 interested in getting any detailed answer on that  
21 point, but as you go through if you could give me  
22 a general idea of the area in which each of these  
23 companies operates it would be helpful.

24 A. I am afraid I haven't the detail on  
25 all of them. Could we supply that to you?

26 Q. Yes, to the extent you have that infor-  
27 mation before you you might perhaps be good enough  
28 to give it as you go along, however. It was  
29 Midland Superior?

30 A. Midland Superior, yes.





1  
2 MR. MACDOUGALL: Perhaps I may make a  
3 statement, Mr. Chairman. Mr. Fournier, counsel for  
4 the Province of Quebec, asked counsel for the Canadian  
5 Pacific and Canadian National for information concern-  
6 ing subsidiary trucking operations, and we -- that is,  
7 Mr. Sinclair and we -- have supplied to Mr. Fournier  
8 some detail of this matter and copies of this cor-  
9 respondence has been filed with the Commission. While  
10 Mr. Dingle is quite prepared to answer any question  
11 he can of Mr. Carter I might read into the record the  
12 names of these companies of Canadian National and  
13 the detail of their operating areas.

14 MR. CARTER: Yes. I gather this is the  
15 letter my learned friend Mr. Fournier started to refer  
16 to in his examination of Mr. Hart, and I think my  
17 learned friend Mr. Fournier was going to suggest that  
18 the entire letter might go in the record, and if that  
19 was his intention, that might shorten it and I would  
20 have no objection to that being done.

21 MR. MACDOUGALL: We have no objection to  
22 that being done.

23 THE CHAIRMAN: No.

24 MR. MACDOUGALL: Then, it will go into the  
25 record.

26 MR. CARTER: Thank you.

27 MR. MACDOUGALL: Perhaps at that point, Mr.  
28 Chairman, that letter could be taken directly into the  
29 transcript.

30 THE CHAIRMAN: Yes, taken into the record.







CANADIAN NATIONAL RAILWAYS

- At Ottawa, Ont. -

October 29, 1960.

File: 37627-6

Mr. Geo. Rene Fournier, Q.C.,  
Price Building,  
65 Ste. Anne Street,  
Quebec, Que.

Dear Sir:

This will acknowledge your letter of  
October 15th enclosing copy of your letter to Mr.  
Sinclair, Vice-President, Canadian Pacific  
Railway, requesting certain information as to  
highway subsidiaries of the Canadian National.

As you know, the Canadian National has  
operated highway vehicles through its Express Depart-  
ment in various cities in Canada for many years,  
and, in addition, it has carried out limited  
highway operations for a number of years through  
its fully owned subsidiary, Canadian National  
Transportation Limited. Also the Canadian  
National is presently in the process of acquiring  
interests in a number of motor carrier companies  
as referred to on page 84 of its submission to the  
Royal Commission. These acquisitions, of course,  
are not as yet all completed.

Canadian National Transportation  
Limited, having its head office at Montreal, is  
fully owned and operated by the Canadian National  
Railways. It is a Dominion company and holds





1  
2 franchises on all major highways throughout Nova  
3 Scotia for general freight limited to the carriage  
4 of freight for and on behalf of Canadian National  
5 Railway Company and shipped by Canadian National  
6 Railway Company. While highway services have been  
7 operated in Nova Scotia by this company since 1940,  
8 specific licensing was not required until 1959.  
9 It also holds extra-provincial licence from Nova  
10 Scotia.

11 This company also holds licences for the  
12 carriage of general freight of the Motor Carrier  
13 Board of the Province of New Brunswick over most of  
14 the main routes in that province, these licences  
15 having been obtained since 1956.

16 It does not hold any licences in the  
17 Province of Quebec. It holds licences in Ontario,  
18 some for general traffic and others for purely  
19 railway traffic. Some of these licences date  
20 back to 1940. Many of the licences in Ontario  
21 which extend throughout the province cover only  
22 local traffic between areas originally served by  
23 rail services, which have been discontinued.

24 In Manitoba this company holds a station-  
25 to-station licence to handle general freight in the  
26 area about Winnipeg, and, in addition, it serves  
27 all points en route between Flin Flon and The Pas  
28 via Highway No. 10.

29 In Saskatchewan it holds licence between  
30 Regina and Weyburn via Highways Nos. 6 and 39 for







1  
2 for general merchandise and from Weyburn to  
3 Radville and Radville to Regina.

4 It does not hold any licences in  
5 Alberta or British Columbia.

6 This company also operates bus ser-  
7 vices in Ontario between Fort William, Port Arthur  
8 and Geraldton and between Geraldton and Longlac.

9 In general its truck routes and the  
10 Lakehead bus service are parallel to existing  
11 Canadian National lines. Many of the truck  
12 routes and the Fort William-Longlac bus service  
13 are in substitution for rail service of various  
14 types. In many cases the rail lines are still  
15 operating for other traffic.

16 The freight rates charged on this  
17 company's truck routes are generally governed by  
18 railway freight tariffs. Its passenger tariffs  
19 are approved by the Ontario Department of Transport.

20 It operates 53 trucks, 38 tractors and  
21 41 trailers.

22 Eastern Transport Limited.

23 Head office: Truro, N.S.

24 Purchased by the Canadian National in  
25 October, 1959. This company holds licences from  
26 the Nova Scotia Public Utilities Commission to  
27 transport general freight on all the main highways  
28 of Nova Scotia serving Amherst, Halifax, Truro,  
29 New Glasgow, Antigonish and Mulgrave, excepting  
30 the Island of Cape Breton.





1  
2 It also holds franchises from the New  
3 Brunswick Motor Carrier Board for the extra-pro-  
4 vincial carriage of furniture and for the extra-  
5 provincial carriage of general freight between the  
6 Nova Scotia border and Moncton, N.B. and Camp  
7 Gagetown, N.B.

8 Sydney Transfer and Storage Limited.

9 This company was purchased by the  
10 Canadian National in October, 1959.

11 It holds licences of the Nova Scotia  
12 Public Utilities Commission for the carriage of  
13 general freight between any point on the Island of  
14 Cape Breton over all highways in the Province of  
15 Nova Scotia and from any point on the mainland of  
16 Nova Scotia to any point on the Island of Cape  
17 Breton.

18 It also holds licences from the New  
19 Brunswick Motor Carrier Board as a furniture carrier  
20 over all highways in New Brunswick and for the  
21 carriage of general freight from the Nova Scotia  
22 border to certain points in New Brunswick.

23 Empire Freightways Limited.

24 This company was purchased by the  
25 Canadian National in 1960. It has its head office at  
26 Saskatoon, Sask., and holds licences from the  
27 Saskatchewan Highway Traffic Board as a Class A  
28 Carrier covering the routes between Saskatoon to  
29 Melfort, Nipawin, Tisdale and Codette. Also from  
30 and to Saskatoon and Regina and points east of the







1  
2 Province of Saskatchewan; from Prince Albert  
3 and North Battleford to and from points east of  
4 Saskatchewan and also for transportation of  
5 general merchandise in the area of the city of  
6 Saskatoon and municipalities in that vicinity.

7 It also holds licences from Manitoba  
8 Public Utility Board as a Federal carrier covering  
9 the route from the Manitoba-Saskatchewan boundary  
10 to Winnipeg and return and also is authorized to  
11 transport general freight and livestock to and  
12 from Melfort, Tisdale and Saskatoon for inter-  
13 provincial business.

14 East-West Transport Limited.

15 This company was purchased by the  
16 Canadian National in 1960 and has its head office  
17 at Winnipeg, Man.

18 It holds licences to transport general  
19 merchandise extra-provincially to and from the  
20 major western Canadian cities, i.e., Vancouver,  
21 Calgary, Edmonton, Saskatoon, Regina and Winnipeg.  
22 The Ontario points of Toronto, Hamilton, Windsor,  
23 Sarnia and Kitchener can be served extra-provin-  
24 cially to and from the four western provinces.  
25 The Province of Quebec can be served to and from the  
26 western provinces through interline arrangements  
27 at the Quebec border. Saskatchewan is the  
28 only province in which intra-provincial rights  
29 are held covering approximately 105 miles from the  
30 Manitoba-Saskatchewan border to Indian Head, Sask.





Midland Superior Express Limited.

The Canadian National holds an option to purchase this company. Its head office is in Calgary, Alta.

This company holds extensive operating rights in Albertra which permit it to carry on intra-provincial operations throughout the province and interprovincial operations between Alberta and the other provinces of Canada. It holds interprovincial rights from the provinces of Quebec and Ontario which enable it to handle general merchandise and perishable traffic to and from any point in Southern Ontario, or Montreal, Que., on the one hand, to and from any point in the Province of Alberta on the other, using either all-Canadian route or the United States route.

The information requested respecting tonnage carried by each of the above services is not readily available.

The information you requested concerning gross revenues and profits and losses is, of course, restricted information, which we are not prepared to disclose for very obvious policy reasons.

The passenger operations by highway are limited to those of Canadian National Transportation Limited, above explained, which are very minor in character.

The Canadian National does not operate its Express services as a separate corporate entity,







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Dingle, cr-ex  
(Carter)

18675

1  
2 but provides these services by means of its  
3 Express Department, exercising the powers given  
4 the Canadian National Railway Company by statute  
5 in this regard. These operations are generally  
6 local in character and supplementary to general  
7 rail service. They include, of course, the pick-  
8 up and delivery service for Express traffic in  
9 major cities and towns.

10 I regret I do not have available the  
11 number of vehicles operated by the subsidiary com-  
12 panies referred to above, with the exception of  
13 Canadian National Transportation Limited, whose  
14 equipment particulars I have given, but will  
15 endeavour to obtain this information and will supply  
16 it later, if possible.

17 I have sent a copy of this letter to  
18 the Secretary of the Royal Commission.

19 Yours truly,

20  
21 General Solicitor.

22 cc: Mr. F.W.Anderson, Secretary, Royal Commission  
23 on Transportation, Ottawa, Ont.

24 bcc: Mr. I. D. Sinclair, Vice-President, Law  
25 Dept., C.P.Ry., Montreal, Que.

26  
27 \* \* \* \* \*  
28  
29  
30





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Dingle, cr-ex  
(Carter)

18676

CANADIAN NATIONAL RAILWAYS

- At Ottawa, Ont. -

October 31, 1960.

File: 37627-6

Mr. Geo. Rene Fournier, Q.C.,  
Price Building,  
65 St. Anne Street,  
Quebec, Que.

Dear Sir:

Further to my letter of October 29th  
regarding highway subsidiaries of the Canadian  
National.

I have now been able to obtain figures  
on vehicles contained in the fleets operated by  
subsidiary companies referred to in my previous  
letter, and these are set out below for your  
information:

<u>Company</u>	<u>No. of Tractors</u>	<u>No. of Trailers</u>	<u>No. of Trucks (For local delivery)</u>
Midland Superior Express Ltd	100	135	26
East-West Trans- port Ltd.	29	77	21
Empire Freight- ways Limited	44	68	80
Eastern Trans- port Limited	15	18	15
Sydney Transfer & Storage Ltd	11	20	25

Copy of this letter is being sent to  
the Secretary of the Royal Commission.

Yours truly,

General Solicitor







1  
2 THE WITNESS: I think I should correct  
3 myself, Mr. Carter, in regard to the information I did  
4 give as to the Midland Superior.

5 MR. CARTER: Q. Midland Superior Express  
6 Limited?

7 A. That is one company that we are negotia-  
8 ting with; we don't as yet.

9 Q. You are reasonably hopeful it may be  
10 acquired?

11 MR. MACDOUGALL: On the information contained  
12 in that letter we have an option to purchase that  
13 company.

14 MR. CARTER: Q. Does any one of these com-  
15 panies listed in this letter, in turn, own or control  
16 any subsidiary highway operation?

17 A. I am sorry, Mr. Chairman, I am at a  
18 disadvantage here. The counsels have been dealing  
19 with this matter and I would like Mr. Macdougall  
20 to handle it if he would.

21 MR. CARTER: Perhaps the information is  
22 contained in this letter?

23 MR. MACDOUGALL: Full information concerning  
24 the question of our subsidiary truck operations is  
25 contained in that letter.

26 MR. CARTER: Thank you, Mr. Macdougall.

27 THE CHAIRMAN: I think we might adjourn now  
28 and get this straightened out.

29 MR. CARTER: Yes, thank you, Mr. Chairman.

30 ---Luncheon adjournment.





1  
2 --- On resuming at 2 p.m.

3  
4 THE CHAIRMAN: Order, please.

5 MR. CARTER: Q. Over the noon hour, Mr.  
6 Dingle, I was able to go through copies of the letters  
7 which the General Solicitor of your company wrote to  
8 my learned friend, Mr. Fournier.

9 From them, I think I have the information  
10 which I was asking of you.

11 Now, each of these various trucking  
12 subsidiaries owned or controlled by your company, as I  
13 understand it, holds licence rights permitting it to  
14 transport general merchandise within certain areas or  
15 between certain terminals; does it not?

16 A. Yes.

17 Q. Yes. And, by the way, by general  
18 merchandise I take it we are talking about the same  
19 thing? I mean goods of every kind and description;  
20 you understand that phrase that way?

21 A. Yes.

22 Q. Yes. Now, as I read your company's  
23 submission, these subsidiaries were acquired by purchase  
24 in every case; were they not? These trucking subsidiaries?

25 A. That is correct, yes.

26 Q. And prior to such acquisition, each of  
27 them was an independent truck operator?

28 A. That is correct.

29 Q. Now, I gather from your submission, and  
30 I think in particular this is mentioned on page 84,







1  
2 that your company's present policy is to enlarge its  
3 highway operations?

4 A. That is correct, yes.

5 Q. And is it your company's policy that this  
6 will take place through the acquisition of further  
7 independent truck operations?

8 A. That is a part of the plan, yes.

9 Perhaps I should go back, Mr. Carter, when  
10 you asked me whether we acquired these trucking companies  
11 by purchase. The outside ones, yes. Was there some  
12 question of Canadian National Transport that you wanted?

13 Q. I appreciate your point. This, of course,  
14 was as far as Canadian Transport Limited is concerned,  
15 that company was not so acquired.

16 A. No, that was a subsidiary of ours.

17 Q. Yes. The others, however, were acquired  
18 by purchase?

19 A. Yes, that is right.

20 Q. Now, Mr. Commissioner Platt, I think it  
21 was, this morning put a question to Mr. Hart, and this  
22 perhaps touches upon the same area that I am dealing  
23 with. A question was put to Mr. Hart having to do with  
24 an amendment which your company proposes to section 156  
25 of the Railway Act. That amendment appears at page 69,  
26 I believe, of your company's brief. Yes. Do you have  
27 that before you?

28 A. I do.

29 Q. Yes. And the effects of the amendment  
30 which your company recommends, which appears at pages





1  
2 70 and 71 of the submission, would be to permit  
3 agreements to be made between the rail and highway  
4 carriers for the establishment of continuous routes  
5 and to prevent the division of earnings from through  
6 movement. That would be the effect of the amendment;  
7 would it not?

8 A. Yes.

9 Q. Yes. Now, the question, as I understood  
10 it, which Mr. Platt put to Mr. Hart was in effect this,  
11 that if that recommendation was taken up by the federal  
12 government and the Railway Act was amended, whether  
13 this would have any effect on your company's policy of  
14 acquiring further truck operations. And, as I understood  
15 Mr. Hart's answer, it was that indeed this might or  
16 would have an effect on that policy. You understand  
17 me?

18 A. It could be, yes.

19 Q. Well now, if that amendment were passed,  
20 am I to understand, then, that this would mean that  
21 your company would stop its policy or plan of  
22 acquiring further independent truck operations?

23 A. Well, I think it would all depend on  
24 circumstances, Mr. Carter.

25 I am at some disadvantage here at this date  
26 because you must appreciate, and I think it can be  
27 taken from our brief, that we are just in a transition  
28 period in developing this whole area, and to state any  
29 definite policy beyond what we are now figuring on  
30 and as stated in the brief, I think I would be speaking







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a little out of turn. I do not know.

Q. This is not, however, an either-or proposition, I take it?

A. No.

Q. Certainly your company's present position is not this: that if you do get this amendment to the Railway Act, then without question you would not be acquiring trucking operations?

A. I think that is correct, yes.

Q. Now, as I understand your company's position, as far as highway operations are concerned, essentially you seek to tie your highway operations in with your rail operation; is that correct?

A. That is correct.

Q. So that your highway operations, then, essentially will complement your rail operation?

A. That is right. We intend to integrate the two where it will best suit the means of transporting by trucks.

Q. All right. But by integration, as you use that word, your company means a complementary operation; does it?

A. I think that is -- I think it is fair to state it that way. I could perhaps enlarge a little bit. What we mean by integration is combining the services of the railway and the trucks together; a combined service using features of both suitable to the expeditious handling of the traffic. As I said previously, for example, piggyback service or the





1  
2 replacement of branch line service by feeder truck  
3 lines; also, merchandise servicing concept on Canadian  
4 National where l.c.l. traffic is handled over long  
5 distances by rail and distributed over shorter  
6 distances by railhead, by use of trucks. That is what  
7 we mean by integration.

8 Q. Yes. You have mentioned there the  
9 setup of a series of railheads?

10 A. That is right.

11 Q. And I think in your evidence -- or  
12 perhaps it was Mr. Hart -- your evidence earlier,  
13 as I understood it, suggested that essentially your  
14 truck operations would consist in this, that these  
15 series of railheads would be set up and then your  
16 truck operations would fan out from these railheads?

17 A. That is the concept.

18 Q. Having that in mind, I was wondering  
19 how you would apply that concept of a complementary  
20 truck operation to the rights held by East-West  
21 Transport Limited. Perhaps I should put that another  
22 way. I was wondering how you would tie in the rights  
23 held by that particular subsidiary with such a scheme.  
24 Again, this is East-West Transport Limited, and I  
25 think I am correct, from the letters that were filed,  
26 in saying that that company operates to begin with  
27 solely in the inter-provincial field; does it not?

28 A. Yes, that is as I recall it.

29 Q. And in particular that company holds  
30 inter-provincial general merchandise rights permitting







1  
2 it to run from Vancouver to Calgary and to Edmonton  
3 to Saskatoon and Regina. Those are certain of the  
4 rights held?

5 A. Yes, that is right.

6 Q. And the other rights which that  
7 company holds, just to deal with them generally,  
8 permit it, again, to participate in inter-provincial  
9 traffic from points in the west to Ontario. That is  
10 correct, is it not?

11 A. Yes.

12 Q. And the points in the west, I suppose,  
13 would be the points in Alberta?

14 MR. MACDOUGALL: Mr. Dingle has not got the  
15 detail of the information of these actual franchises  
16 before him. Mr. Carter has what we gave him in the  
17 letter. I do not think we can more specific at the  
18 moment.

19 THE WITNESS: Just how the whole plan will  
20 work out, I think I should say again, we are not just  
21 positive. We are in the transition stage, so I cannot  
22 answer you specifically on these points at the moment.

23 MR. CARTER: Q. This particular subsidiary  
24 -- East-West Transport Limited -- as I understand it  
25 was only acquired this year, was it not?

26 A. I believe that is correct.

27 THE CHAIRMAN: This spring; was it not?

28 MR. MACDOUGALL: Yes, and this is all  
29 contained in the letter.

30 MR. CARTER: Q. As I understand it, then,





1  
2 Mr. Dingle, you are not able to suggest just how the  
3 operations of that particular subsidiary could be  
4 worked into this concept of a complementary rail truck  
5 operation?

6 A. I am sure it will, but I cannot give  
7 you the details. I do not know.

8 Q. Similarly, with Empire Freight Ways  
9 Limited -- this, again, is another of the trucking  
10 subsidiaries; is it not?

11 A. Yes.

12 Q. And I think the essential or most  
13 important run that that company operates is, again,  
14 a movement of inter-provincial traffic, is it not?

15 A. That is what I understand, yes.

16 Q. And in particular moving from Winnipeg  
17 to certain Saskatchewan points?

18 A. Correct.

19 Q. Including Saskatoon?

20 A. Yes, that is right.

21 Q. Yes. Now, again, here, are these  
22 particular trucking rights operative in some way which  
23 is complementary to your rail operations?

24 A. Not as yet, Mr. Carter. As I explained  
25 before, we are in the transition period. We have not  
26 our plans laid completely as yet.

27 Q. It is the intention, is it ---?

28 A. It is the intention.

29 Q. -- that this particular subsidiary or  
30 the rights held by it will be in some way made







1

2 complementary to rail?

3 A. Yes, that is our hope.

4 Q. Including this inter-provincial run  
5 that I have mentioned?

6 A. Correct.

7 Q. If I am a shipper in Winnipeg and I want  
8 to move traffic to Saskatoon and I could, of course,  
9 move it by rail, and by C.N.R.; could I not?

10 A. Yes.

11 Q. That is -- you have, of course, a rail  
12 connection?

13 A. That is correct.

14 Q. Yes. And at the moment I could move it  
15 via your subsidiary, Empire Freight Ways Limited?

16 A. That is right.

17 Q. So then, as far as that particular  
18 subsidiary is concerned, to some extent, I suppose,  
19 it is competing with your rail operation at the moment;  
20 is it?

21 A. Yes, you could class it or state it that  
22 way, yes.

23 Q. Do you anticipate, as far as the  
24 trucking subsidiaries are concerned, applications to  
25 the appropriate licensing authorities to vary the  
26 rights which subsidiaries hold in order that they may  
27 be operated complementary to rail?

28 A. I do not know just what would be  
29 required there as yet, Mr. Carter. I am unable to  
30 answer it specifically.





1  
2 Q. At page 85 of your submission you say,  
3 in the first sentence on that page -- you say, in  
4 part, that the coordination of rail and truck operations  
5 will -- and I am quoting here -- "... that it will  
6 bring into being a very desirable stabilization of  
7 the transportation industry in Canada ..."

8 Do you see that?

9 A. Yes.

10 Q. What do you mean by that, Mr. Dingle?

11 A. Well, I suppose you could describe it  
12 in many ways, Mr. Carter, but as we see it, with the  
13 acquisition of these companies, to wrap it into one  
14 service with the railways, and that is it. That is  
15 stabilization in my book.

16 Q. Well now, here in the words which are  
17 used in the brief; they are general. As I read them,  
18 you saw this policy of your company as being not only  
19 stabilization to your company's operation but to the  
20 transportation industry as a whole in Canada. Is that  
21 in fact what you are suggesting, or are you limiting  
22 your comments to your own company's operations?

23 A. No, I think it is just what the brief  
24 says, Mr. Carter. That is my concept of it.

25 Q. That this will have its effect throughout  
26 the industry as a whole?

27 A. I believe so, yes.

28 Q. In dealing with your program of  
29 merchandise services at page 40, I think it is, of  
30 your brief, you say that one goal of that program is to







1  
2 publish one set of rates.

3 What do you mean by that, Mr. Dingle?

4 A. In the overall, you mean?

5 Q. Yes, that is, you say ---

6 A. In the integrated service of road and  
7 highway operation as related to any merchandise servicing?

8 Q. Yes. At page 40, in the second paragraph,  
9 you speak of ultimate goal or goals of this program  
10 which you term merchandise services -- do you not?

11 A. Yes.

12 Q. And one of the goals set out there is  
13 your hope, in effect, that you would be able to present  
14 to the shipping public one set of rates. Just what  
15 do you mean; or, what is meant by that?

16 May I put it this way: how would this differ  
17 from the present situation? This would be some sort  
18 of a joint rate, would it?

19 A. A joint rate, rail and trucking, as I  
20 understand it.

21 Q. And, again, when your program is fully  
22 worked out, as I understand it, you would have one  
23 staff soliciting freight for both the rail and truck?

24 A. Correct.

25 Q. Would you look forward, then, to a  
26 system by which that freight would then be divided  
27 between the rail and road operation after having been  
28 solicited?

29

30





1  
2 A. Well, it would depend on circumstances.  
3 I think I have described it before by saying we would  
4 work that to meet whatever situation existed and  
5 which was most likely of success in our endeavour to  
6 better our service to the customer.

7 Q. I take it that one of the long run aims  
8 of this programme would be to recapture traffic which  
9 had been lost from the rail to the road, would it not?

10 A. Very much so, yes.

11 Q. In that connection, Mr. Dingle, has your  
12 company, and in connection generally with your pro-  
13 gramme of rail-highway integration, given any thought to  
14 proceeding under that section of the Canadian National-  
15 Canadian Pacific Act which permits of arrangements  
16 for joint highway service between the two railway  
17 companies or for highway and rail services combinations  
18 between the two rail companies? Has this been con-  
19 sidered?

20 A. It may have been considered, but to my  
21 knowledge at the moment it is not being considered.  
22 Perhaps I should clarify my answer previously when you  
23 spoke of the one rate under emergency service, that  
24 refers really to l.c.l. and express, that is, combined.

25 Q. Yes. At page 83 of your company's  
26 submission, Mr. Dingle, you say in the second sentence  
27 in the first paragraph that your company is convinced  
28 of the necessity of effecting a close integration of  
29 rail and road operation and you see such integration,  
30 of course, as being of value to your company. I







1  
2 gather from your earlier evidence a moment ago, you  
3 see this as being of value to Canadian shippers as a  
4 whole, do you?

5 A. Yes, we do.

6 Q. And I take it that the value which you  
7 see in such an arrangement to shippers as a whole is  
8 that as far as your company's facilities are concerned  
9 this integration would ensure to the shipper the most  
10 effective use of those two facilities?

11 A. That is our intention, yes.

12 Q. Now, at paragraph 59 of Part III of the  
13 submission of the Government of the Province of  
14 Saskatchewan -- you have read this, I suppose, have  
15 you?

16 A. I am not sure if I am familiar with  
17 what you are referring to.

18 Q. May I read just part of it to you.  
19 Paragraph 59, Part III of the Government submission  
20 says this:

21 "On the basis of the considerations  
22 presented and discussed above, the  
23 Government of the Province of Saskatche-  
24 wan urges that this Commission recommend  
25 to the Government of Canada the creation  
26 by a separate Act of Parliament, of a  
27 Canadian 'transportation authority' to  
28 combine and include the present function,  
29 duties and responsibilities of the Board  
30 of Transport Commissioners for Canada,





1  
2 and that such transportation authority  
3 be empowered especially to extend its  
4 jurisdiction to the regulation and control  
5 of interprovincial and international motor  
6 truck transportation. This agency would  
7 have as its objective the further coordi-  
8 nation of transport services in the  
9 interests of the public with a view to  
10 ensuring the most effective use of all  
11 transportation facilities."

12 Now, the programme which your company has on foot with  
13 respect to its highway operations might fit in very  
14 well with such a scheme, might it not?

15 A. It could be, yes.

16 Q. May I ask whether your company supports  
17 this particular proposal which the Government of  
18 Saskatchewan puts forward?

19 A. Well, I have not considered it because  
20 I did not read that part of it. What I did read  
21 from Saskatchewan was that they did not really oppose  
22 what we had in mind.

23 Q. Well, having this read to you, I  
24 appreciate this may come a bit out of the blue at the  
25 moment do you see, in a general way, any objection  
26 to such a proposal having in mind the plans which  
27 your company has on foot?

28 THE CHAIRMAN: I think he should have time  
29 to consider the answer.

30 MR. CARTER: Q. Now, as part of this







1  
2 particular proposal, Mr. Dingle, Saskatchewan suggests  
3 that in that field of interprovincial truck trans-  
4 portation there should be rate regulation in the  
5 sense that a floor and a ceiling should be set. Do  
6 you understand?

7 A. Yes.

8 Q. That is, a maximum rate should be fixed  
9 and, on the other hand, no rate could be published  
10 which was not compensatory. Do you understand me?

11 A. Yes, I understand.

12 Q. And the area in between would be the  
13 area of competition, if you like. Now, again here  
14 you may wish to consider your answer to this question  
15 but my question is whether your company agrees with  
16 such a proposal?

17 A. Well, that is hard to say. I cannot  
18 answer that but perhaps counsel will for me. I prefer  
19 to leave it unless Mr. Hart would care to speak to it.

20 MR. MACDOUGALL: I think it is a point that  
21 counsel can speak to, Mr. Chairman.

22 THE CHAIRMAN: We will hear from you in due  
23 course on that subject, Mr. Macdougall.

24 MR. CARTER: Thank you, that is all.

25  
26 CROSS-EXAMINATION BY MR. FOURNIER:

27 Q. Mr. Dingle, when I requested this infor-  
28 mation from counsel of the Canadian National Railways  
29 I asked for certain specific information which the  
30 reply did not provide. In paragraph 5, which of  
these lines, referring to highway carrier lines, are





1  
2 parallel to railroads and to which of them, the Canadian  
3 Pacific or the Canadian National or any other railway.  
4 Could you tell me if Canadian National Transportation  
5 operates any route which would be parallel to the  
6 Canadian Pacific?

7 A. I think that would be the case in some  
8 instances but I would have to check because I do not  
9 know offhand.

10 Q. And you would not know, of course,  
11 whereabouts, where they would be parallel, let us say,  
12 in which region you would be parallel to Canadian  
13 Pacific?

14 A. You are talking of Quebec?

15 Q. No, I am speaking of the region where  
16 Canadian National is operating.

17 A. Well, I imagine there is some parallel-  
18 ing, but I cannot answer you specifically at this  
19 time.

20 Q. Will you be able to answer as to the  
21 Canadian Pacific Railway, is Canadian Pacific operating  
22 highway carrier parallel to Canadian National, I mean  
23 parallel to the rail?

24 A. Well, I am answering very quickly without  
25 much time to think about it, but I imagine there is  
26 some duplication, yes.

27 Q. So, I imagine if the other companies or  
28 subsidiaries which have been mentioned in this letter  
29 had had the same question put, their replies would be  
30 the same?







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A. That is correct, sir.

Q. Would it be possible for you to provide the Commission with this information, precise information as to whether or not the Canadian National Railways through its subsidiaries is operating a highway carrier route parallel to Canadian Pacific and vice versa?

MR. MACDOUGALL: Mr. Chairman, I think the Commission will appreciate that it is a little difficult for Mr. Dingle, not only Mr. Dingle but for the company to give an answer to the question as asked. If you take the highway operations of these companies, that is the information we have given Mr. Fournier, basically you can be said to parallel both railway lines all across Canada because traffic operations extend all over Canada. But, if he is looking for where a track is parallel cheek by jowl ten miles apart both served by railway and road, that is another point. It is a little difficult for this witness to answer the question except in a general way to say that in the nature of our country rails and roads parallel each other through most of the land.

THE CHAIRMAN: Are there any particular ones that come to mind in particular?

MR. FOURNIER: I am sorry, I do not understand.

THE CHAIRMAN: Any particular roads in particular that you have in mind?

MR. FOURNIER: No, sir. The point is to have this information and know whether or not the two





1  
2 important railways are also competing on the road  
3 against the rail.

4 THE CHAIRMAN: Well, that general question  
5 could be answered by a general answer.

6 MR. FOURNIER: Q. Could you tell us if  
7 generally Canadian National subsidiaries as highway  
8 carriers are competing with the Canadian Pacific rail?

9 A. I think that would be the case, yes.

10 THE CHAIRMAN: You fight the C.P.R. with  
11 all your weapons?

12 THE WITNESS: Yes, I think everything is  
13 fair in love and war.

14 MR. FOURNIER: Q. Could you tell the  
15 Commission if the position of this highway carrier  
16 business which most of them were acquired in 1959 and  
17 1960, as I understand?

18 A. Yes.

19 Q. Would you tell me if the company has  
20 in view to abandon rail and replace it by the trucking  
21 business?

22 A. In some areas ---

23 Q. I am sorry.

24 A. In some areas I think in the future that  
25 would be the case.

26 Q. That would be the case?

27 A. Yes.

28 Q. And the companies which you would have  
29 purchased were chosen especially in regions, I imagine,  
30 where the Canadian National Railways contemplate







1  
2 abandoning trackage?

3 A. No. I do not want to leave the wrong  
4 impression. I said that I think in time the trucks  
5 may take over the service of a specific branch line.  
6 I did not suggest they would acquire these to get  
7 rid of the branch lines.

8 THE CHAIRMAN: You are not anticipating?

9 THE WITNESS: No, I am not anticipating that  
10 at all but it could be that in some areas the truck  
11 could take over from rail service.

12 MR. FOURNIER: Q. Has it been done within  
13 the last two or three years that the truck took over  
14 where the rail left off? You abandoned traffic and  
15 went on carrying transportation through highway in  
16 the same region?

17 A. There was some of that planned in the  
18 Bruce Peninsula area of Ontario and that is, to the  
19 best of my recollection, in being now. That is an  
20 example.

21 Q. Now, I understand from this letter that  
22 one piece of information that was asked was the annual  
23 gross revenue of each of these companies since  
24 their acquisition and the profits and losses and your  
25 counsel's reply to this question was the following:

26 "The information you requested concerning  
27 gross revenues and profit and loss is,  
28 of course, restricted information which  
29 we are not prepared to disclose for  
30 very obvious policy reasons."





1  
2 I readily understand the reply but would it  
3 be possible for you to provide this information con-  
4 fidentially to the Commission?

5 MR. McDONALD: No, we are not providing that  
6 information at all. It is not relevant to this inquiry.

7 MR. FOURNIER: Q. I understand that in 1951  
8 the Turgeon Report on the same question of railway  
9 ownership of truck lines, the conclusions were as  
10 follows ---

11 THE CHAIRMAN: Page?

12 MR. FOURNIER: Page 153:

13 "It would seem that operation of trucks  
14 may be an essential and complementary  
15 part of railway operation, more especially  
16 in view of changing conditions. Under these  
17 circumstances it does not appear reasonable  
18 that railways should be prohibited from  
19 operating trucks or truck lines. There  
20 is no evidence to show that there is danger  
21 at present of the railways stifling com-  
22 petition by ownership of trucks. This  
23 would be a matter to be dealt with if and  
24 when the occasion arises."

25 I think, sir, that if the information as to annual gross  
26 revenue of these companies since their acquisition, their  
27 profits and losses and also other information which it  
28 seems to me I have asked, price of purchase, I think  
29 this information should be given to the Commission.  
30 I do not mean you should disclose it publicly but it







1  
2 would help the Commission to appreciate as a whole  
3 if there is any danger of monopoly.

4 MR. SINCLAIR: The same questions have been  
5 directed towards us and our reply is the same.

6 THE CHAIRMAN: We will consider whether we  
7 want the information.

8 MR. SINCLAIR: I would go further than this  
9 and recall to the Commission that counsel for the  
10 Trucking Associations has stated that Canadian Pacific,  
11 which has been in this business, had very substantial  
12 trucking interests in western Canada in particular  
13 but also in other parts of Canada for a great many  
14 years has not -- Mr. Hume has said this and made it  
15 clear through a number of witnesses that the Canadian  
16 Pacific has not used them to -- I think his phrase  
17 was predatory pricing or to operate them in a way  
18 detrimental to the full development of trucking  
19 within its proper sphere. When counsel for the  
20 Canadian Trucking Associations takes that position  
21 and he has done it certainly as far as Canadian  
22 Pacific is concerned, we are not prepared to do any-  
23 thing more than we have done for my friend and  
24 offer to have made available to the Commission staff  
25 when it visited us the information they asked us to  
26 provide. That is as far as we are prepared to go  
27 and I certainly agree with my friend Mr. McDonald  
28 and in view of what I have brought to your attention  
29 from Mr. Hume, it is really a matter of argument.

30 THE CHAIRMAN: We will keep that in mind.





1  
2 MR. FOURNIER: Q. I certainly do appreciate  
3 the information that was provided both by Canadian  
4 Pacific and Canadian National. Would it be possible  
5 for you to tell us at this time, Mr. Dingle, if your  
6 company intends to acquire further highway carriers  
7 in the Province of Quebec?

8 A. I am not able to answer, I know of  
9 nothing at the moment but it might happen. I am not  
10 sure at this time.

11 MR. FOURNIER: Thank you, sir, that is all.

12  
13 BY COMMISSIONER BALCH:

14 Q. I have a couple of questions. I asked  
15 Mr. Hart this morning that question about the merchan-  
16 dising service, do you expect any material benefits  
17 to the shipper from the merchandising service, monetary,  
18 we will say. I believe that the railway company it-  
19 self is going to benefit by the increase but how about  
20 the shipper, is there any thought of that at all.

21 A. You said "monetary," did you not?  
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Q. I mentioned monetary?

A. Certainly, we intend to better our service, but in a monetary way I am not prepared to say.

Q. On page 27 you show that the improved technology has changed the character of railway employment, and then again on page 28, "... declining traffic demand has dictated that some employees must be put out of work." Could you say whether more employees are affected by technological changes or declining traffic?

A. Well, I have not a specific breakdown, but certainly to date employees have been affected more by declining traffic at today's levels.

Q. But would you think in future the technological changes will make quite a difference?

A. Oh, it will be quite a difference, yes.

Q. Hump yards -- I believe it is quite evident that there will be considerable loss of yard staff?

A. Yes.

Q. There is one going in at Moncton now: I do not suppose you know what will be the reduction in the yard staff?

A. Perhaps I could give you some indication of it, but it would only be theoretical at the moment. As far as the yard staff itself is concerned, clerical and otherwise, it is about the same; but the reduction will come in the switching assignments, and this is





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only an estimate that is in line with our economics at the time of instituting the construction of the yards.

Q. And of course, Montreal and Winnipeg -- you will have a large yard starting in Montreal soon?

A. Yes, Montreal will come into operation sometime after the first of the year, Moncton this week, and Winnipeg sometime in 1961.

I thought I had the information here, but it is not readily available.

Q. You will let the Commission have it?

A. Yes.

Q. On page 76 you go into the question of free transportation, and this wording: "Canadian National intends to discontinue the issuance of free transportation to many of the categories of persons now entitled to receive this privilege under general order 656 of the Board of Transport Commissioners." I believe the Canadian Pacific was far more specific than you are: Could you elaborate on that -- the categories of persons under general order 656?

A. Our consideration in this matter has been joint with the Canadian Pacific and we intend to take exactly the same action.

Q. Well then, if the answer is the same for Canadian Pacific and yours ...?

A. That is right.

Q. I have a question to ask the Canadian







Pacific later.

MR. SINCLAIR: Mr. Emerson will answer Commissioner Balch when he comes back.

THE WITNESS: I am sorry, Mr. Balch, I have not got that information on the yard at Moncton.

I can supply it through counsel or when I come back later.

COMMISSIONER BALCH: Q. Could you give us Montreal as well?

A. Yes, I can give you the three, if you wish. Those are estimated at certain levels at the time we were making our plans for construction.

Q. I think it is a recognized fact that all these technological changes the railways are going to put in in future are definitely going to constitute a loss of employment?

A. Yes, there is, but we hope and pray we will be able to re-establish these employees in some useful form of employment.

BY COMMISSIONER PLATT:

Q. Mr. Dingle, in regard to integration of rail and truck and your merchandising scheme, if this is as successful as you seem to hope it will be, will this not tend to get you back into at least a semi-monopolistic position again?

A. No, I do not believe so, sir. We say in our brief that we have no interest in driving the





1  
2 trucker out of business. We know each has its  
3 appropriate place in the transportation world. Our aim  
4 is to use each tool, rail or truck, where it is best  
5 suited for doing the transportation job, and in  
6 combination with such service would produce the best  
7 result. That is our aim and hope.

8 Q. Would you envisage, for example,  
9 supposing that a branch line, to take an extreme case,  
10 is abandoned, and several independent truckers are  
11 servicing the area abandoned by the rail. Would you  
12 enter into an agreement with them on through rates with  
13 all those companies, or only one of them?

14 A. It all depends, really; I cannot answer  
15 you specifically, but I think that would be the logical  
16 thing.

17 Q. Which would be the logical thing?

18 A. To combine the rate.

19 THE CHAIRMAN: With all?

20 COMMISSIONER BALCH: Q. Supposing there are  
21 three independent truckers serving this area: would  
22 you enter into the agreement on through rates with all  
23 three of them or just one of them?

24 A. Well, again, it is a little out of my  
25 field, but I would think what established lines are  
26 there would enter into our consideration of the matter,  
27 depending on circumstances.

28 Q. I would appreciate it would depend on  
29 circumstances, but it is rather important from the  
30 point of view of information as to just what is done







1  
2 in a case like that?

3 A. I do not think I could elaborate on  
4 that to any extent. I do think, and I repeat, that if  
5 there are three established truckers and we made any  
6 rate arrangement, we would certainly have to make that  
7 rate arrangement with them all.

8 THE CHAIRMAN: The opinion of Mr. Hart was  
9 that pricing was caught up by competition. Your  
10 evidence, as I understand it, is that the same forces  
11 are at work and as a result there may be a great deal of  
12 track that may be obsolete?

13 THE WITNESS: There might well be, sir, yes.

14 MR. FOURNIER: Mr. Chairman, could I ask  
15 an additional question of Mr. Dingle?

16  
17 FURTHER CROSS-EXAMINATION BY MR. FOURNIER:

18 Q. Mr. Dingle, would you tell me if there  
19 is any uneconomical freight lines operating in the  
20 province of Quebec -- non-profitable freight lines  
21 operating within the province of Quebec?

22 A. Well, I have not made a study of it,  
23 sir, but I imagine that there are. Without a specific  
24 study I would not like to answer yes or no.

25 Q. Would you give us this information at  
26 a later date?

27 MR. MACDOUGALL: Mr. Chairman, probably my  
28 friend does not understand the difficulty he is putting  
29 this witness in. He has not got readily available to  
30





1  
2 him detailed costing of individual branch lines. We  
3 have records of density and things we go by in that  
4 regard, so no one in the company would be able to give  
5 a study on the branch lines in the province of Quebec,  
6 and that is what my friend is asking, and that  
7 information is not available. The density figures,  
8 of course, are available.

9 Mr. Chairman, that is all we have with this  
10 witness until he is recalled in accordance with the  
11 Commission's ruling of a few days ago.

12 THE CHAIRMAN: Thank you, Mr. Dingle.

13 Mr. Cooper, where are we now?

14 MR. COOPER: We are at the point now, Mr.  
15 Chairman, where we adjourn until November the 7th,  
16 and the first witness will be the cross-examination of  
17 Mr. Emerson, and on November the 8th to 11th there will  
18 be the submissions concerning statutory and related  
19 rates on grain and grain products by the provinces of  
20 Manitoba and Alberta, and the joint submission of the  
21 provincial pools and United Grain Growers Limited, Mr.  
22 McKinley's submission -- that is, the direct evidence  
23 on the grain costing, and on November the 14th and  
24 16th, while the cost conference is taking place Mr.  
25 Edsforth will be here for cross-examination. He will  
26 be followed by the cross-examination of the Canadian  
27 National Railways' witness as has just been mentioned,  
28 and then, November the 17th and 18th, Saskatchewan  
29 Wheat Pool and Mr. J.F. Brown, M.P. has a submission  
30 to the Commission. That is about as far as I can go.







1  
2 THE CHAIRMAN: And the witness Ulmer?

3 MR. COOPER: The witness Ulmer is one of the  
4 cost witnesses speaking on the cost of money, and I  
5 understand Mr. Sinclair is prepared to cross-examine  
6 Mr. Ulmer after he has given his direct evidence,  
7 although Mr. Sinclair has made it clear he would like  
8 a breathing space, by which I understand he means a  
9 reasonable or short length of time between the  
10 conclusion of Mr. Ulmer's direct evidence and his cross-  
11 examination, and I see no reason why that should not  
12 be granted.

13 THE CHAIRMAN: Now, is our program understood?

14 MR. COOPER: I should have mentioned that  
15 the hearings commencing November the 7th will be held  
16 at the Chateau Laurier. I might put it this way: that  
17 all hearings that I have mentioned will be held in the  
18 Board of Transport Commissioners court room -- that is  
19 here -- except on November the 7th, 8th, 9th, 10th,  
20 15th and 16th, when the Commission will hold hearings  
21 in the Chateau Laurier.

22 THE CHAIRMAN: Well, we will adjourn until  
23 Monday at 10 o'clock.

24  
25 --- Adjournment ---  
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